

# JOSKES BREW

*with Cola*



**REAL FIJIAN, REAL CANE, THUMBS UP!**

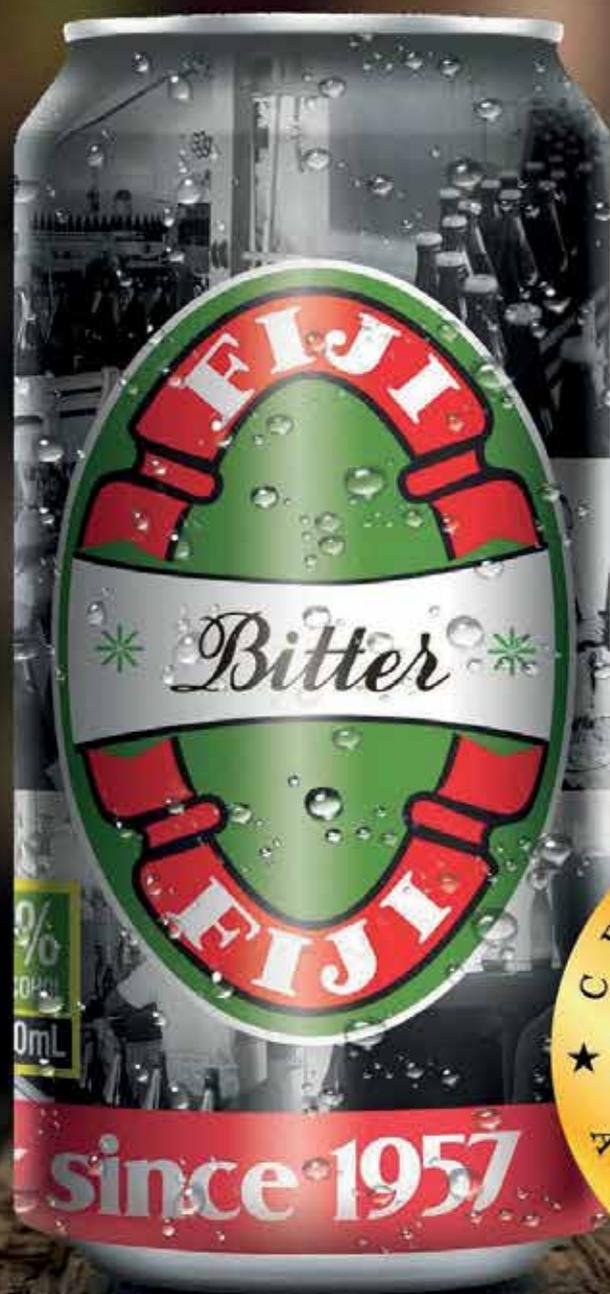


**PARADISE  
BEVERAGES**

2017 ANNUAL REPORT

**LIMITED  
EDITION**

*60th Anniversary Can*  
NOW AVAILABLE!



Enjoy  
Responsibly



**Fiji's iconic beer since 1957**

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# CHAIRMAN'S REPORT

## BUSINESS ENVIRONMENT

Global economic activity continues to firm up and according to the International Monetary Fund (IMF), growth in the world economy is estimated to have picked up in 2017 to 3.7%. The strong global growth in 2017 was led mainly by better than expected performances in several advanced economies as well as in some emerging and developing economies in the third quarter of 2017.

The Fijian economy grew for the seventh consecutive year in 2017, with an estimated growth of 4.2% (Reserve Bank of Fiji – Quarterly Economic Review December 2017). Better than expected performance in sectors such as tourism, electricity and sugar continued to drive this economic expansion coupled with robust consumption and investment spending.

Samoa's economy expanded by 2.6% at year ended December 2017. The agriculture, fish, hotel, construction and commerce sectors are important contributors to this performance.

Against this backdrop, I am pleased to announce the results posted by the Company for the year ended 31 December 2017.

## BUSINESS ISSUES

The group (comprising of the Company and its subsidiary Company, Samoa Breweries Limited) delivered strong earnings growth with profit from operations growing by 8.4% and earnings per share also growing by 9.2%.

In August 2017, the Company backed its innovation and growth strategy by releasing a commemorative Fiji Bitter brew (ABV 6%) presented in a special limited-edition 440mL memorabilia can on the occasion of its 60th anniversary. In the alcoholic ready to drink (ARTD) segment, the Company launched Joskes Brew (ABV 8%) in 440mL cans, made from Fijian cane spirit and cola. Vonu Export, a socially conscious and ultra low carb lager beer brand, was launched in October 2017. This beer is designed specifically for the international market, with Australia being the initial focus.

Paradise Beverages has been, and continues to be, a major sponsor of sports in Fiji. This year the Company was privileged to sponsor the first Fijian rugby team (Fijian Drua) to take part in Australia's National Rugby Championship, and continued its support of the Fiji International Golf event. On the community front, the Company continued to support the work of the Mamanuca Environment Society in preserving endangered turtles, and for a number of local community events and organisations including (in Fiji) PinkTober, Samabula old peoples home, Cancer Society, Tikaram Park and the Lautoka old peoples home, and (in Samoa) the Samoan Mapuifagalele Old People's Home, The Red Cross, Samoan Victim Support orphanage and the Samoan Cancer Society. As part of our commitment to make a valuable contribution to the communities

in which we operate, from 2018 we will set a target to contribute the equivalent of 1% of EBIT and track the impact of this investment over time.

Our capital investment plan continued during 2017 with an investment of nearly \$11m.

The packaging line upgrade was completed at the Fiji Brewery in Suva. Included were a new bottle labeller, cluster packer and case packer, all of which are required to enable us to enter international markets. As part of our commitment to product quality, we also installed a new can filler, replacing the existing 40-year-old machine.

The above work allowed us to send a small bottle labeller and an electronic bottle inspector from our Fiji Bitter Brewery to our Vailima Brewery in Apia. Along with the purchase of a second-hand packer, their installation has provided similar capability improvements in Samoa to support our international export plans for the Vailima brand.

## FINANCIAL RESULTS

2017 marked another year of strong performance. Despite a decline in group sales volume (3.501 million nine litre cases in 2017 compared to 3.585 million nine litre cases in 2016), sales revenue for the same period increased by 0.5% from \$97.7m to \$98.2m.

Key group financial information for the year ended 2017 is as follows:

- Profit before income tax was \$16.5m compared to \$15.4m for the prior period, reflecting a 7.1% increase;
- Profit for the year (after income tax) was \$14.7m, compared to \$13.5m for the prior period, reflecting a 8.9% increase;
- Return on equity (defined as profit for the year (after tax) divided by equity) was 11.3% versus 11.4% last year, reflecting a 0.1 point decrease; and
- Earnings per share was \$1.42, reflecting a 9.2% increase on the prior period earnings per share of \$1.30.

A key factor in the 2017 result was a favourable intra-brand volume mix, which was driven by premium portfolio extension and effective costs management, which freed up much-needed resources for further investment for growth.

## FIJI

Beer sales volumes decreased by 4.8% to 2.031 million nine litre cases in 2017 from 2.134 million nine litre cases in 2016. ARTD volume continued its solid double-digit growth at 11.7%, recording sales of 0.306 million nine-litre cases in the current period, versus 0.274 million in the prior period. Spirit sales also recorded double-digit growth, with volume increasing by 17.3% to 0.061 million nine litre cases in 2017 from 0.052 million in 2016, mainly driven by bulk spirit exports.

## CHAIRMAN'S REPORT (CONTINUED)

The sales revenue increase of 1.2% was driven by favourable intra-brand volume mix outcomes supported by the launch of a premium priced new product ARTD Joskes Brew & Cola, and new beers.

Cost of sales decreased by 1.8%, mainly driven by volume shortfall and benefit from plant efficiencies derived from new capital investments.

Selling, distribution and administrative expenses increased by \$0.7 million, driven by increased investment in brand advertising, trade promotion activities and trade marketing to sustain volume and salary cost.

Profit before income tax increased by 11.3% to \$15.7m compared to \$14.1m in the prior period.

### SAMOA

Beer sales volumes decreased by 6.2% to 0.606 million nine litre cases in 2017 from 0.646 million nine litre cases in 2016, mainly driven by domestic volume off the back of competition and distributor cash flow issues. By contrast, soft drink volumes increased by 4.4% to 0.502 million nine litre cases from 0.481 million in the prior period, driven by aggressive market execution activities. During the year, the business also placed 150 new cold drink refrigerators in the market to support its customers and drive volumes. Sales revenue decreased by 0.7%, with the beer volume shortfall mainly offset by soft drink volume upside.

Selling, distribution and administrative expenses were marginally flat as prior year increased investment in brand advertising, trade promotion activities and trade marketing were recycled this year.

Profit before income tax decreased by 30.7% to \$0.9m compared to \$1.3m in the prior period.

### DIVIDENDS

During the year, the Company paid a final dividend to shareholders of \$0.30 per share, relating to the 2016 financial year.

The Company's dividend policy is summarized as:

- The Board will consider declaring and paying an interim and a final dividend in relation to each half and full financial year (respectively).
- In considering the quantum of the dividends to be declared, the Board will take into account the Company's ability to produce and generate after tax profits, as well as the Company's ability to fund planned capital expenditure on the basis that any proposed dividend should not in any way hinder or restrict continuing business operations.
- Subject to the above, it is intended that the total of the dividends declared in relation to a financial year shall at the minimum be equal to 70% of the Profit After Tax of the Company for that financial year.

This policy is reviewed on an ongoing basis to ensure the needs of the Company's stakeholders (namely management and shareholders) are being met with regards to dividends.

Given the Company's growth and capital expenditure plans, the Directors are recommending a final dividend for 2017 of \$0.40 per share, to be approved by the Shareholders in today's AGM.

### CONCLUSION

In this fifth reporting period of Coca-Cola Amatil's majority ownership of the Company, the business's performance has been very pleasing, with the Company delivering EBIT growth on a declining volume.

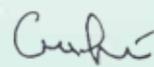
The Fijian economy is projected to grow by 3.6% in 2018 however the recent flood damage from tropical cyclone Josie in the western division is likely to negatively impact growth for some key sectors in 2018, particularly the agriculture sector. Samoa's growth in gross domestic product is forecasted to increase by 1.3% for financial year ending June 2018.

Looking forward, the main focus of the Company in 2018 and beyond will be on our growth platform of increasing premium share and mix, building our international business, and diversification, whilst continuing to protect and grow our core business and investing in capital programs to support our intention to be a world-class brewer and distiller.

Further, the Company has budgeted \$16.7m for the capital investment program in 2018. Key projects for the year include a network infrastructure and systems upgrade and significant upgrades to the Rum Co of Fiji Distillery, including installing a new packaging line and building a waste water treatment plant, as part of our environmental commitments. This investment in water stewardship forms part of the Company's environmental commitment to work responsibly in all we do, and make the right choices for today and tomorrow. Our commitment is focused where we have the most opportunity to make a difference which as well as water stewardship, also includes energy management and climate protection, and sustainable packaging.

Our Mission for Paradise Beverages to be recognised as the premier place to work, creating world-class beverages and making a positive contribution to the business and the markets in which we operate.

On behalf of the Board, I would like to thank the management team and our employees for their outstanding efforts over the past year.



George Forster  
CHAIRMAN

# BOARD OF DIRECTORS



## **George Forster**

Retired; formerly General Counsel and Company Secretary of Coca-Cola Amatil Limited

George joined Coca-Cola Amatil in April 2005 as General Counsel. He was appointed Company Secretary in February 2007. George holds Bachelor of Law and Bachelor of Commerce degrees from the University of New South Wales and has extensive experience of over thirty years as a corporate and commercial lawyer, including having been a partner of Freehills in Sydney.

## **Shane Richardson**

Director of Alcohol & Coffee, Alcohol/Licensed of Coca-Cola Amatil Limited

Shane joined Coca-Cola Amatil in September 2013 as Director of the Licensed/Alcohol division. Prior to joining Coca-Cola Amatil, he held the role of Managing Director Campari Australia, a wholly owned subsidiary of Gruppo Campari where he led the business in the Oceanic region for over 3 years. Prior to his time at Campari he held multiple senior leadership roles within the Foster's business in Australia.



## **Alex Nario**

Chief Financial Officer of Alcohol & Coffee, Alcohol/ Licensed of Coca-Cola Amatil Limited

Alex was appointed to his current role in January 2015 and brings 25 years of experience in the Coke system. Having started with The Coca-Cola Company back in 1990, in 1994 he joined Coca-Cola Amatil supporting the Australasia and Europe division, including spending time in the Ukraine and Romania.

Returning to Australasia, Alex held a number of roles, including Head of Commercial Strategy and Partners for Coca-Cola Amatil's Australian Beverages team, where he gained extensive experience in the commercial areas of sales, supply chain and M&A, as well as managing key partner relationships.

Alex holds a Bachelor of Economics from the University of Sydney and is a member of the CPA Australia.



## **Cecil Browne**

Non-executive Director

Appointed non-Executive Director of Foster's Group Pacific Limited (now Paradise Beverages (Fiji) Limited) in 2009. Has worked for Barclays and ANZ for 35 years. Had work attachments with the Banks in London, Melbourne, Solomons, Cook Islands and East Timor. Held various senior executive positions with ANZ including Deputy General Manager ANZ Fiji and Head of Business Banking and then Deputy General Manager ANZ Fiji and Head of Corporate Banking. Retired in 2009 and joined Bank South Pacific as General Manager Retail. Currently holds position of General Manager Corporate and International.



## **Gardiner Whiteside**

Non-executive Director

Gardiner is a Public Accountant and has been in Practice for many years. He was appointed as a non-Executive Director of Foster's Group Pacific Limited (now Paradise Beverages (Fiji) Limited) in 2011.

He has had over 25 years of experience as a member of the Board of local companies and statutory and commercial entities.

Gardiner is a member of the New Zealand and Fiji Institutes of Chartered Accountants.



## **Andrew Weame**

Non-executive Director

Mr Weame started with Coca-Cola Amatil in November 2009 and was the Chief Risk Officer responsible for Coca-Cola Amatil's Risk Management Framework. The framework includes Treasury, Audit, Risk, Fraud & Security, Insurance and Business Continuity Management.

Mr Weame has extensive risk management experience in the property, financial and Fast Moving Consumer Goods (FMCG) industries. Prior to joining Coca-Cola Amatil, Andrew was the Global Head of Risk for Goodman Property Services, which is responsible for \$18b of assets under management.

Andrew has also held other key positions including the Head of Operational Risk for Westpac's Institutional Bank and as a Senior Manager with KPMG's Risk Advisory practice.

Mr Weame holds qualifications in Accounting and a Masters Degree in Management



## EXECUTIVE MANAGEMENT TEAM



### **Michael Spencer**

General Manager - Appointed in March 2017

Mr Spencer commenced with Carlton and United Breweries (CUB) in 1986 as a senior member of the brewing team in Sydney. During his 17 years with CUB, he held senior roles in Operations and Sales, including three years managing CUB's brewing operations in Fiji in the mid 90's, and a two-year tenure as Head Brewer at CUB's largest brewery in Melbourne. He was a member of the team that carried out due diligence of Foster's Fiji, on behalf of Coca-Cola Amatil, and subsequently was appointed Head of Operations of Paradise Beverages (Fiji) Limited when the business was formed in September 2012. Mike was appointed General Manager in March 2017.

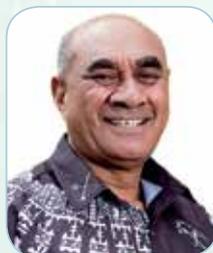
Mike holds a Bachelor of Engineering (Mech) from Sydney University, is Member of the Institute of Brewing & Distilling (IBD) and a Member of the Master Brewers Association of the Americas (MBAA).

### **Vinish Singh**

Chief Financial Officer and Company Secretary - Appointed in May 2013

Mr Singh joined the company (formerly known as Foster's Group Pacific Limited) in November 2006, as Financial Controller for Samoa Breweries Limited. He was appointed as Manager Commercial in 2008. In September 2011, he then returned to Fiji as Acting Financial Controller, Pacific, before being appointed to his current role in 2013.

Prior to joining Paradise Beverages (Fiji) Limited, Mr Singh worked at the Fiji Ports Corporation Limited as General Manager Finance/Administration and Company Secretary. He holds a Bachelor of Arts degree, majoring in Accounting and Economics from the University of the South Pacific. He is a member of the Fiji Institute of Accountants and CPA Australia.



### **Joseph Rodan**

General Manager Sales & Corporate Affairs - Appointed in March 2017

With more than 29 years of leadership experience in the company, Mr Rodan has extensive capability and knowledge in the areas of Marketing, Sales, Logistics, Operations and General Management. Prior to joining the company, he was employed by Carpenters Fiji Ltd.

Mr Rodan has had a distinguished sporting career, spanning over 30 years, as an athlete and an administrator. He represented Fiji at the Olympic Games four times, has taken part in five Commonwealth Games and nine South Pacific Games, winning a total of 14 gold medals. In 1983 he received a nomination for the Fiji Sportsman of the Year Award and was inducted into the Fiji Sports Hall of Fame. He was appointed President of Athletics Fiji in 2014 and is also President of the Fiji Association of Sports & National Olympics Committee (FASANOC), taking the Fiji team to the Rio Olympic Games in 2016.

### **Alfred Chan**

General Manager, Samoa Breweries Limited - Appointed in August 2011

As Country Manager, Samoa, Mr Chan provides leadership and growth strategies for Vailima Beers and Coca-Cola brands (as authorised bottler for The Coca-Cola Company), plus overall profitability of the business.

Alfred has been with the business (formerly known as Foster's Group Pacific Limited) for over 20 years, having commenced in early 1996. His previous role was Financial Controller Pacific. During that time acquisitions of South Pacific Distilleries Limited (SPD) and Samoa Breweries Limited were accomplished, as well as the merger of SPD and Carlton Brewery (Fiji) Limited in 2005 to Foster's Group Pacific Limited.

These major transitions during his role as Group Financial Controller has provided Alfred invaluable experience in the beverage manufacturing industry.



## EXECUTIVE MANAGEMENT TEAM



### Liam Costello

Master Distiller & Blender - Appointed in February 2009

Mr Costello commenced his career in the alcohol industry at Beenleigh Rum, one of Australia's first and oldest rum distilleries. Once the youngest rum distiller in Australia, he has remained in the industry for over 35 years. He branched out into the Australian Wine industry, where he was the General Manager of one of Australia's most successful family owned wineries, Rosemount Estate.

In 2009 he joined the company (formerly known as Foster's Group Pacific Limited) and rekindled his passion for rum. He is now part of a dedicated team that is responsible for the creation of some of the world's most awarded rum ranges, including Bounty Fiji Rum and Rum Co. of Fiji.

### Rowena Taito

General Manager Marketing & New Product Development - Appointed in March 2017

Ms Taito has been with the company since 2013, initially as Sales & Marketing Manager – On Premise.

Her current role is to align Paradise Beverages' strategic objectives with marketing plans for our ten brands, including New Product Development (NPD). Rowena's strength and expertise include ideation, marketing execution of global and local brands, business strategy, new product and business development, communication, learning & process improvement, team motivation and assisting with women development in the business. Prior to joining PBFL, she spent three years as National Key Accounts Manager with Coca-Cola Amatil (Fiji) Limited. She is passionate about family, outdoor activities and health and wellbeing.



Rowena holds a Bachelor of Business Management with a major in Marketing, from Central Queensland University.



### Sudha Deo

General Manager Operations - Appointed in June 2017

Ms Deo has extensive experience in the manufacturing industry having commenced her career with Coca-Cola Amatil Fiji in 1997 as part of the Operations Team and joined Paradise Beverages in 2006 (formerly known as Foster's Group Pacific Limited) as a senior member of the Suva Brewing team. In her 12 years with the company, Ms Deo has held senior roles in Operations Team, including three years managing the Suva Site Operations and seven years as Head Brewer. Ms Deo was appointed Acting Head of Operations in Dec 2016 and progressed to the lead role in June 2017.

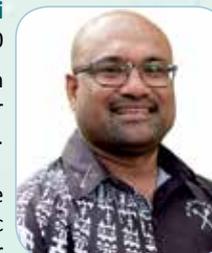
Sudha holds a Bachelor of Science (Biotechnology) from RMIT Australia, a Diploma in Brewing from the Institute of Brewing & Distilling in London, has successfully completed the MBA programme at USP and is currently working on her Masters in Brewing through the Institute of Brewing & Distilling in London. She is also a member of the Institute of Brewing & Distilling.

### Banuve Yalimawai

General Manager Human Resources & Sustainability - Appointed in September 2010

Mr Yalimawai has a decade of experience within Paradise Beverages (Fiji) Limited, beginning his career in 2008 as Human Resources & Employment Relations Advisor. In 2010 he went on to become the Manager Human Resources & Sustainability.

Banuve holds a Post Graduate Certificate in Human Resource Management from the University of the South Pacific. He is a Certified Professional with the Australian Human Resource Institute, a Certified Basic Business & Commercial Mediator with the Australian Commercial Dispute Centre and Certified Member of the Fiji Human Resources Institute.



# CORPORATE GOVERNANCE STATEMENT

Paradise Beverages (Fiji) Limited (PBFL) supports the Reserve Bank of Fiji (RBF) Corporate Governance Code for the Capital Markets as well as the Listing Rules of the South Pacific Stock Exchange (SPSE).

We are committed to delivering best practice in corporate governance and transparency in reporting, in accordance with guidelines specified in the RBF Code as well as the SPSE Listing Rules.

## **Principle 1:** Establish clear Responsibilities for Board oversight

The PBFL Board is responsible for the overall corporate governance of the Company. The PBFL Articles of Association set out the objectives of the Board and also specifies the Board's responsibilities towards achieving these objectives.

The Board has delegated responsibility for operating and administering the Company to the General Manager Pacific Operations PBFL, who is accountable to the Board for the performance of these duties.

## **Principle 2:** Constitute an effective Board

The PBFL Articles of Association specifies the number of Directors may not be less than the number required by the Companies Act (currently three) or more than six. The Board has determined that, for the time being, the maximum number of Directors is six.

### **Directors**

The members of the Board as at the date of this report are:

- George Forster (since September 2012) chairman and non-executive director
- Shane Richardson (since June 2014) Non-independent non-executive director
- Alex Nario (since March 2015) Non-independent non-executive director
- Cecil Browne (since August 2009) Non-executive director
- Gardiner Whiteside (since August 2011) Non-executive director
- Andrew Wearne (appointed 23 November 2017, resigned 16 March 2018 ) Non-independent non-executive director

With the exception of the non-executive directors and Chairman, the Board is made up of senior executives of Coca-Cola Amatil Limited. These Directors bring a wide range of technical expertise and operational knowledge ranging from production, finance, marketing and sales into the Pacific businesses.

## **Principle 3:** Appointment of a Chief Executive Officer

The Board appoints the General Manager, PBFL in accordance with the Articles of Association for such term and at such remuneration as they deem appropriate, after a formal process of appointment and selection, strictly in accordance with PBFL's Recruitment and Selection Policy.

## **Principle 4:** Board and Company Secretary

The Board appoints the Company Secretary of PBFL in accordance with the Articles of Association for such term and at such remuneration as they deem appropriate, after a formal process of appointment and selection, strictly in accordance with PBFL's Recruitment and Selection Policy.

The Company Secretary ensures that statutory requirements and compliance, Board policy and procedures are followed as well as timely completion and dispatch of Board agenda and briefing materials.

## **Principle 5:** Timely and balanced disclosure

PBFL complies with its disclosure obligations under the SPSE Listing Rules and the Companies Act, and has developed procedures for managing compliance.

Annual Reports of the Company are compiled and prepared annually and contain salient and material information in accordance with SPSE Listing Rules and guidelines.

PBFL also has a formal vetting and authorisation process for all company announcements which are made from time to time to the SPSE, regulatory authorities and stakeholders.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### **Principle 6:** Promote ethical and responsible decision-making

PBFL recognises that its reputation is one of its most valuable assets, and is founded largely on the ethical behaviour of the people who represent the Company.

The Board has adopted a Code of Conduct that sets out the principles for ethical behaviour for all Company personnel. This ethical framework provides the foundation for maintaining and enhancing PBFL's reputation.

PBFL's Code of Conduct commits its Directors, employees, contractors and consultants to comply with the laws of the country in which it operates, also to conduct business with integrity, honesty and fairness in accordance with the highest ethical conduct as a supplier of alcoholic beverages in Pacific markets.

Any breach of the Code of Conduct is a serious matter that may give rise to disciplinary action, including dismissal and legal action.

### **Principle 7:** Register of interests

The Company has procedures in place for reporting any matter which may give rise to a conflict between the interests of a Director and those of the Company.

Employees are also required annually to disclose arrangements where potential conflicts may arise. A register of interests declared is maintained by the Company Secretary. When a potential conflict of interest arises, employees must advise the Company Secretary and their immediate Supervisor. A decision is then made as to whether the reported activities may continue.

Where the Board is considering a matter in which a Director has a material personal interest that Director may not be present during Board or Board Committee discussions nor vote on the matter.

### **Principle 8:** Respect the rights of Shareholders

The PBFL Board encourages and promotes effective communication with shareholders and effective participation at General Meetings.

Issues and concerns raised by shareholders at Annual General Meetings are fully discussed by the Board and replies communicated to all shareholders by mail and an announcement to the South Pacific Stock Exchange for posting on the SPSE website.

In addition, the external auditor attends the Annual General Meeting and is available to answer shareholder questions about:

- Conduct of the audit
- The preparation and content of the auditor's report
- The accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- The independence of the auditor in relation to the conduct of the audit

### **Principle 9:** Accountability and audit

In accordance with the Articles of Association, shareholders appoint the Company's external auditors at each Annual General Meeting. The role, responsibilities and reporting channels of the external auditors are clearly defined by the Board, in consultation with PBFL Board Audit Committee.

The Pacific Board Audit Committee comprises four (4) PBFL Board members. The Senior Partner of the external audit firm engaged in the PBFL external audit is an invited observer to the PBFL Board Audit Committee meetings.

The PBFL Board Audit Committee provides independent oversight over the Company's internal control and operations in addition to verifying and safeguarding the integrity of the Company's financial reporting.

In addition, an independent internal auditor has also been appointed by the PBFL Board Audit Committee to provide internal audit review and health checks of all PBFL's entities, reporting through the Pacific Board Audit Committee.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### **Principle 10:** Recognise and manage risk

The PBFL Board has adopted a Risk and Assurance Framework together with supporting processes to oversee and manage risk. The processes to support the Framework are under ongoing review and include:

- Risk management system that enables the identification, management and reporting of risk throughout the business. The system deals with risk at all levels, including strategic, operational, compliance and financial risks;
- Crisis and incident management system that facilitates the reporting of all incidents to management and the escalation of potentially serious issues that may affect Pacific operations, brands or corporate reputation to more senior levels of management and appropriate corporate personnel. The system is designed to ensure that potentially critical issues are reported quickly and shared with the right people to enable PBFL to implement an effective and timely response;
- Regular reports by management to Directors, both oral and written, in addition to the compliance reporting program that covers financial standing, operating results and business risks to PBFL;
- Control Self-Assessment process whereby relevant staff assess the effectiveness of controls in the processes and systems they are responsible for administering in a fashion that assists the provision of the annual declaration referred to on Page 47 of this Annual Report;
- Clearly defined organisation structure with approved authority limits;
- Annual budgeting and monthly reporting systems for Pacific businesses which enable progress against strategy and annual plan to be monitored, trends to be evaluated and variances addressed;
- Procedures relating to capital expenditure, asset and liability management;
- Policies to manage financial risks;
- Appropriate due diligence procedures for corporate acquisitions and disposals;
- Risk engineering program that is aimed at reducing the risk of damage to property and interruption to business activities; and
- Comprehensive Pacific wide insurance program.





## OPERATING RESULTS – PERFORMANCE HIGHLIGHTS

	Group					Holding Company				
	2013*	2014	2015	2016	2017	2013*	2014	2015	2016	2017
Sales Revenue (\$'000)	129,036	86,691	93,192	97,671	98,227	91,378	62,725	67,197	71,871	72,743
Other operating revenue (\$'000)	1,740	615	678	546	1,055	1,884	786	816	577	1,191
Gross Margin (\$'000)	40,979	29,360	33,110	34,876	36,441	31,455	23,723	27,036	27,819	29,465
EBIT (\$'000)	14,079	11,095	13,865	15,410	16,702	12,340	11,266	13,831	14,065	15,667
NPAT (\$'000)	10,663	9,853	12,361	13,492	14,738	9,686	10,062	12,411	12,546	14,089

### Operating Ratios

Gross Margin Conversion to NSR [%]	31.8	33.9	35.5	35.7	37.1	34.4	37.8	40.2	38.7	40.5
EBIT/NSR Conversion [%]	10.9	12.8	14.9	15.8	17.0	13.5	18.0	20.6	19.6	21.5
NPAT/Sales Revenue [%]	8.3	11.4	13.3	13.8	15.0	10.6	16.0	18.5	17.5	19.4

### Financial Position

Total Assets (\$'000)	109,468	123,007	130,792	144,660	158,411	86,815	100,627	109,460	121,030	130,838
Total Liabilities (\$'000)	23,625	26,552	22,457	26,193	28,471	12,037	15,778	12,678	14,792	13,566
Net Assets (\$'000)	85,843	96,455	108,336	118,468	129,940	74,777	84,849	96,781	106,238	117,272

### Financial Position Ratios

Gearing [%]	21.6	21.6	17.2	18.1	18.0	13.9	15.7	11.6	12.2	10.4
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### Cash Flows

Net operating cash flows (\$'000)	10,983	12,568	16,866	17,268	15,892	11,427	10,731	14,757	14,211	17,268
Net investing cash flows (\$'000)	(13,901)	(16,985)	(9,877)	(15,429)	(12,561)	(12,562)	(16,203)	(9,215)	(13,286)	(15,429)
Net financing cash flows (\$'000)	(1,316)	-	(520)	(3,122)	(3,122)	(1,313)	-	(520)	(3,122)	(3,122)

### Key Measures

Earnings per share (\$)	1.02	0.95	1.19	1.30	1.42					
Return on Net Assets [%]	12.4	10.2	11.4	11.4	11.3	13.0	11.9	12.8	11.8	12.0

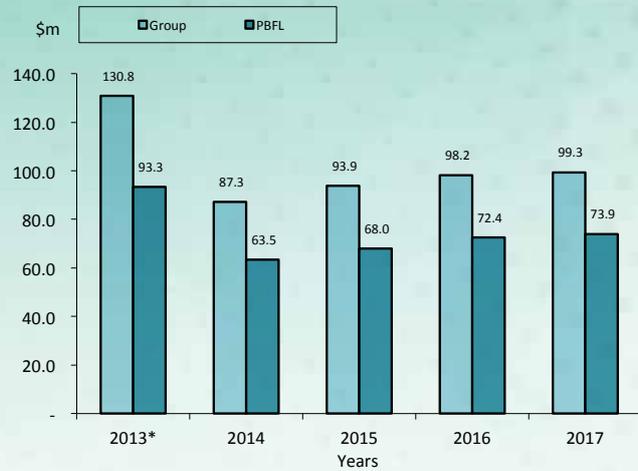
\* - 18 months

# OPERATING RESULTS – FINANCIAL HIGHLIGHTS

**Total Assets & Shareholders' Funds**



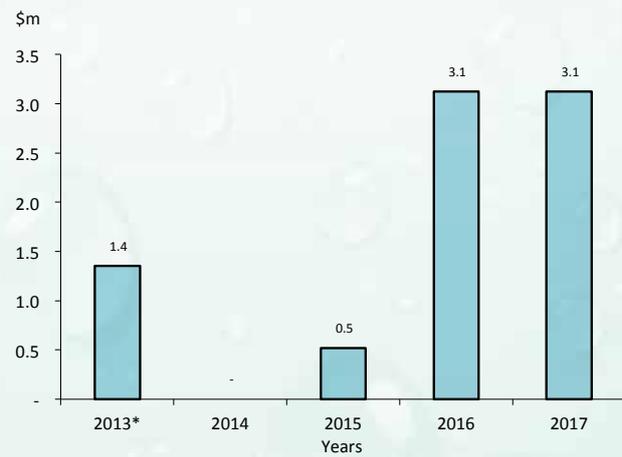
**Operating Revenue**



**Earnings Before Interest & Taxes (EBIT)**



**Dividends Declared/Paid**



**Return on Capital Employed**

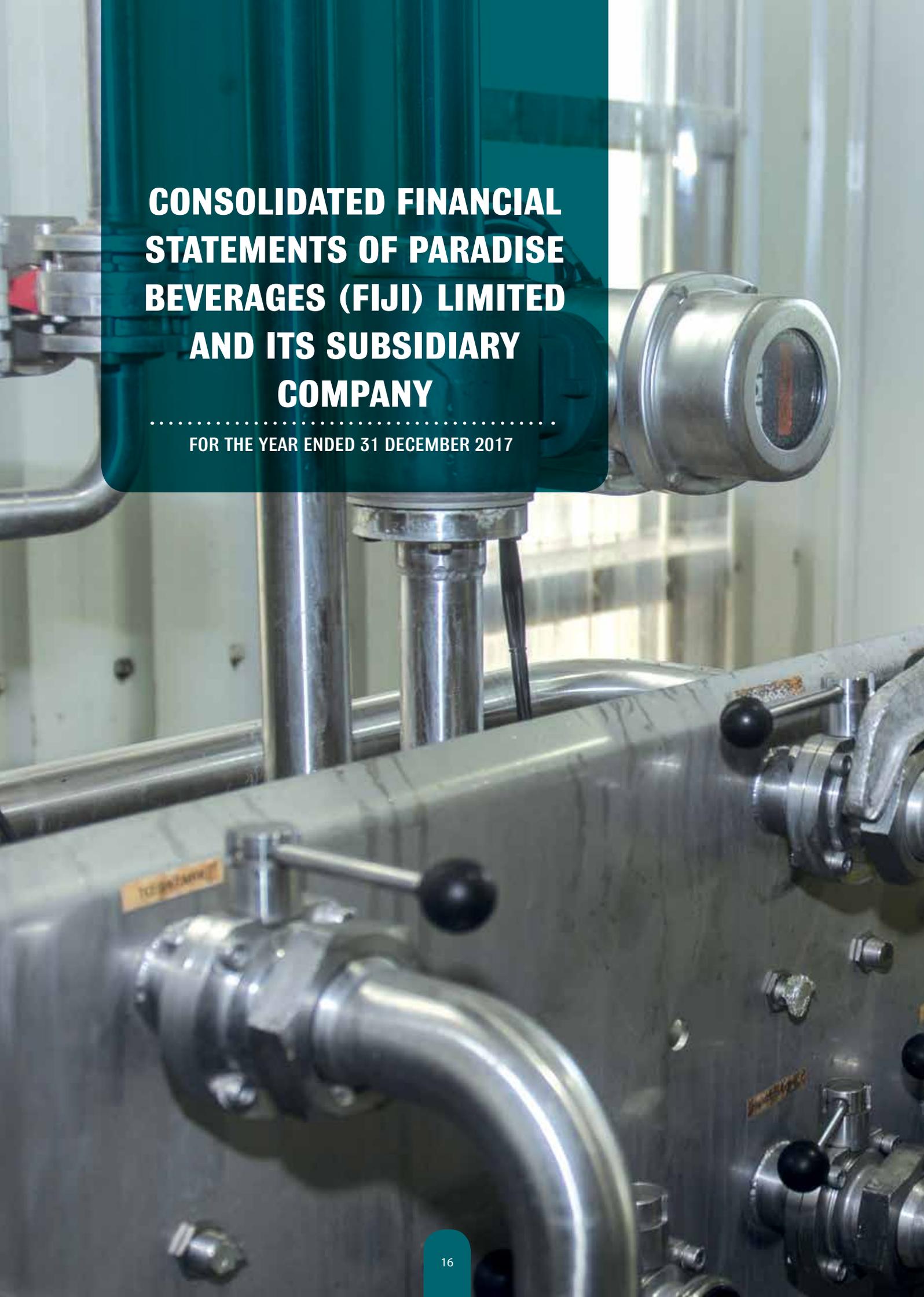


**Earnings per Share**



\* - 18 months



The background of the page is a photograph of industrial machinery, likely a beverage production line. It features various stainless steel pipes, valves, and a large cylindrical component with a circular gauge or window. The lighting is bright, highlighting the metallic surfaces. A dark teal semi-transparent rectangle is overlaid on the left side of the image, containing the title text.

**CONSOLIDATED FINANCIAL  
STATEMENTS OF PARADISE  
BEVERAGES (FIJI) LIMITED  
AND ITS SUBSIDIARY  
COMPANY**

.....  
FOR THE YEAR ENDED 31 DECEMBER 2017



# DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors of Paradise Beverages (Fiji) Limited ("the Company"), the directors herewith submit the statements of financial position of the Company and its subsidiary (together as "the Group") as at 31 December 2017, and the related statements of comprehensive income, changes in equity and cash flows for the year ended on that date and report as follows:

## DIRECTORS

The following were directors of the holding company at any time during the financial year and up to the date of this report:

George Forster  
Shane Richardson  
Alex Nario  
Cecil Browne  
Gardiner Whiteside, and  
Andrew Wearne (appointed on 23 November 2017, resigned 16 March 2018)

## PRINCIPAL ACTIVITIES

The principal activities of the group are the manufacture and sale of beer, ready-to-drink alcoholic beverages and soft-drinks, as well as the distillation and sale of potable and industrial alcohol.

## TRADING RESULTS

The profit after income tax of the group for the year ended 31 December 2017 was \$14,738,022 as compared to \$13,492,309 the year ended 31 December 2016.

## DIVIDENDS

A final dividend of \$0.30 per share, totalling \$3,122,438, was declared and paid during the year (31 December 2016: special dividend of \$3,122,438).

## RESERVES

The directors recommend that no transfer be made to or from reserves except for movements required under International Financial Reporting Standards.

## BAD AND DOUBTFUL DEBTS

Prior to the completion of the group's financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off bad debts and the provision for doubtful debts. In the opinion of directors, adequate provision has been made for doubtful debts.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts, or the provision for doubtful debts in the group, inadequate to any substantial extent.

## NON-CURRENT ASSETS

Prior to the completion of the financial statements of the group, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to be realised in the ordinary course of business for recoverable amounts being less than their carrying value as shown in the accounting records of the group. Where necessary these assets have been written down or adequate provision has been made to bring the carrying values of such assets to an amount that they might be expected to realise.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to non-current assets in the group's financial statements to be materially misstated.

## UNUSUAL TRANSACTIONS

The results of the group's operations during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

## EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

## OTHER CIRCUMSTANCES

As at the date of this report:

- i) no charge on the assets of the group has been given since the end of the financial year to secure the liabilities of any other person;
- ii) no contingent liabilities have arisen since the end of the financial year for which the group could become liable; and
- iii) no contingent liabilities or other liabilities of the group have become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the group to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the group's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the group misleading or inappropriate.

## DIRECTORS' REPORT (CONTINUED)

### BASIS OF ACCOUNTING

The directors believe the basis of the preparation of financial statements is appropriate and the group will be able to continue in operation for at least twelve months from the date of this statement. Accordingly, the directors believe the classification and carrying amounts of assets and liabilities as stated in these financial statements to be appropriate.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of the company or of a related corporation) by reason of a contract made by the company or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### DIRECTORS' INTERESTS

Particulars of directors' interests in the ordinary shares of the holding company during the year are as follows:

	Direct Interest	Indirect Interest
Cecil Browne	500	Nil
Gardiner Whiteside	500	Nil

### AUDITOR'S INDEPENDENCE

The directors have obtained an independence declaration from the group's auditor, Ernst & Young. A copy of the auditor's independence declaration is set out in the Auditor's Independence Declaration to the Directors of Paradise Beverages (Fiji) Limited on page 48.

### GROUP CONTRIBUTION

Contributions to group profit after income tax are as follows:

	2017	2016
	\$	\$
Paradise Beverages (Fiji) Limited	14,088,833	12,546,252
Samoa Breweries Limited (subsidiary)	655,932	944,431
Consolidation eliminations	(6,743)	1,626
	<b>14,738,022</b>	<b>13,492,309</b>

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Dated this 28<sup>th</sup> day of March 2018.



George Forster  
Director



Gardiner Whiteside  
Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2017	2016
<b>Continuing operations</b>		\$	\$
Revenue	2.1	98,227,418	97,670,767
Cost of sales		(61,786,737)	(62,795,209)
<b>Gross profit</b>		<b>36,440,681</b>	<b>34,875,558</b>
Other operating revenue	2.2	1,055,049	545,559
Selling and distribution expenses	3.1	(12,901,618)	(12,084,002)
Administrative expenses	3.2	(7,891,983)	(7,927,155)
<b>Profit from operations</b>		<b>16,702,129</b>	<b>15,409,960</b>
Finance costs	3.3	(150,059)	(52,467)
<b>Profit before income tax</b>		<b>16,552,070</b>	<b>15,357,493</b>
Income tax expense	10a	(1,814,048)	(1,865,184)
<b>Profit for the year from continuing operations</b>		<b>14,738,022</b>	<b>13,492,309</b>
<b>Other comprehensive income:</b>			
Exchange losses on translation of foreign operations		(198,416)	(252,752)
<b>Other comprehensive income for the year</b>		<b>(198,416)</b>	<b>(252,752)</b>
<b>Total comprehensive income for the year</b>		<b>14,539,606</b>	<b>13,239,557</b>
<b>Profit from continuing operations attributable to:</b>			
Equity holders of Paradise Beverages (Fiji) Limited		14,697,684	13,434,227
Non-controlling interests		40,338	58,082
<b>Total profit from continuing operations for the year</b>		<b>14,738,022</b>	<b>13,492,309</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of Paradise Beverages (Fiji) Limited		14,512,268	13,199,133
Non-controlling interests		27,338	40,424
<b>Total comprehensive income for the year</b>		<b>14,539,606</b>	<b>13,239,557</b>
<b>Earnings per share</b>			
Basic earnings per share	5	1.42	1.30

Notes appearing on pages 24 to 46 to be read as part of the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	2017	2016
<b>Retained earnings</b>		\$	\$
Balance at the beginning of the year		103,525,212	93,213,423
Operating profit after tax		14,697,684	13,434,227
Dividends paid	4	(3,122,438)	(3,122,438)
Balance at the end of the year	12	<b>115,100,458</b>	<b>103,525,212</b>
<b>Foreign currency translation reserve</b>			
Balance at the beginning of the year		6,208,513	6,461,265
Exchange losses on translation of foreign operations		(198,416)	(252,752)
Balance at the end of the year		<b>6,010,097</b>	<b>6,208,513</b>
<b>General reserve</b>			
Balance at the beginning and end of the year		75,000	75,000
Balance at the end of the year		<b>75,000</b>	<b>75,000</b>
<b>Share-based payments reserve</b>			
Balance at the beginning of the year		113,006	80,278
Employee share-based payment expense		67,933	32,728
Balance at the end of the year		<b>180,939</b>	<b>113,006</b>
<b>Share capital</b>			
Balance at the beginning of the year		6,734,250	2,081,625
Movement during the year		-	4,652,625
Balance at the end of the year	12a	<b>6,734,250</b>	<b>6,734,250</b>
<b>Non-controlling interests</b>			
Balance at the beginning of the year		1,811,759	1,771,335
Operating profit after tax		40,338	58,082
Other comprehensive loss		(13,000)	(17,658)
Balance at the end of the year	12	<b>1,839,097</b>	<b>1,811,759</b>
<b>Total equity</b>		<b>129,939,841</b>	<b>118,467,740</b>

Notes appearing on pages 24 to 46 to be read as part of the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2017	2016
	\$	\$	\$
<b>Current assets</b>			
Cash and cash equivalents	13	2,345,145	1,170,972
Trade and other receivables	6a	24,320,039	19,463,190
Inventories	6b	33,845,687	31,231,930
Current tax assets	10b	608,107	516,485
Prepayments		1,033,876	623,633
<b>Total current assets</b>		<b>62,152,854</b>	<b>53,006,210</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	87,076,583	82,264,694
Intangible assets	8	9,181,692	9,389,515
<b>Total non-current assets</b>		<b>96,258,275</b>	<b>91,654,209</b>
<b>Total assets</b>		<b>158,411,129</b>	<b>144,660,419</b>
<b>Current liabilities</b>			
Trade and other payables	6c	16,625,854	16,274,178
Interest-bearing liabilities	13a	2,674,241	1,713,252
Employee benefits provisions	11a	2,465,478	1,957,086
Current tax liabilities	10b	197,329	23,225
<b>Total current liabilities</b>		<b>21,962,902</b>	<b>19,967,741</b>
<b>Non-current liabilities</b>			
Employee benefits provisions	11a	1,390,536	1,488,103
Deferred tax liabilities	10b	5,117,850	4,736,835
<b>Total non-current liabilities</b>		<b>6,508,386</b>	<b>6,224,938</b>
<b>Total liabilities</b>		<b>28,471,288</b>	<b>26,192,679</b>
<b>Net assets</b>		<b>129,939,841</b>	<b>118,467,740</b>
<b>Equity</b>			
Share capital	12a	6,734,250	6,734,250
Reserves	12	6,266,036	6,396,519
Retained earnings	12	115,100,458	103,525,212
<b>Equity attributable to members of Paradise Beverages (Fiji) Limited</b>		<b>128,100,744</b>	<b>116,655,981</b>
Non-controlling interests	12	1,839,097	1,811,759
<b>Total equity</b>		<b>129,939,841</b>	<b>118,467,740</b>

Notes appearing on pages 24 to 46 to be read as part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2017	2016
		\$	\$
<b>Inflows/(outflows)</b>			
<b>Operating cash flows</b>			
Receipts from customers		196,336,366	198,072,807
Payment to government - excise duty & VAT/VAGST		(101,942,218)	(102,497,260)
Payments to suppliers and employees		(77,030,244)	(76,528,202)
Interest paid		(150,059)	(52,467)
Income taxes paid		(1,322,062)	(1,727,257)
<b>Net operating cash flows</b>		<b>15,891,783</b>	<b>17,267,621</b>
<b>Investing cash flows</b>			
Payments for additions of property, plant and equipment		(12,572,198)	(15,464,179)
Proceeds from disposal of property, plant and equipment		11,009	35,578
<b>Net investing cash flows</b>		<b>(12,561,189)</b>	<b>(15,428,601)</b>
<b>Financing cash flows</b>			
Dividends paid to equity holders of Paradise Beverages (Fiji) Limited	4	(3,122,438)	(3,122,438)
<b>Net financing cash flows</b>		<b>(3,122,438)</b>	<b>(3,122,438)</b>
Net increase/(decrease) in cash and cash equivalents		208,156	(1,283,418)
Cash and cash equivalents held at the beginning of the year		(542,280)	743,048
Effects of exchange rate changes on cash and cash equivalents		5,028	(1,910)
<b>Cash and cash equivalents held at the end of the year</b>	13	<b>(329,096)</b>	<b>(542,280)</b>

Notes appearing on pages 24 to 46 to be read as part of the financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## OVERVIEW

### CORPORATE INFORMATION

Paradise Beverages (Fiji) Limited (referred to as PBFL or Company) is a for profit company limited by shares that is incorporated and domiciled in Fiji, whose shares are publicly traded on the South Pacific Stock Exchange. The registered office of PBFL is located at 122-164 Foster Road, Walu Bay, Suva, Fiji. PBFL's ultimate parent entity is Coca-Cola Amatil Limited, a for profit company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The nature of operations and principal activities of PBFL and its subsidiary together (referred to as Group) are described in Note I Segment Reporting. This financial report was authorised for issue in accordance with a resolution of the Paradise Beverages (Fiji) Limited Board of Directors on 28<sup>th</sup> March, 2018.

### BASIS OF PREPARATION

This general purpose financial report:

- has been prepared in accordance with the International Financial Reporting Standards, other authoritative pronouncements of the International Accounting Standards Board (IASB) and the Fiji Companies Act 2015;
- has been prepared on the basis of historical cost, except for certain financial assets and liabilities which have been measured at fair value (Note 15);
- complies with International Financial Reporting Standards as issued by the IASB;
- is presented in Fiji Dollars;
- presents reclassified comparative information where necessary to conform to changes in presentation in the current year;
- presents all values as rounded to the nearest dollar, unless otherwise stated;
- adopts all new and amended International Accounting Standards and Interpretations issued by the IASB that are relevant to the Group and effective for reporting periods beginning on or after 1 January 2017, all of which did not have a material impact on the financial statements; and
- does not early adopt any International Accounting Standards and Interpretations that have been issued or amended but are not yet effective, refer below.

### CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

#### New and amended standards and interpretations

The following standards, amendments and interpretations to existing standards were published and are mandatory for the annual periods beginning on or after 1 January 2017 or later periods:

There were no significant changes to the group's accounting policies during the financial year.

#### **IFRS 9 Financial Instruments**

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group has adopted the new standard on the required effective date of 1 January 2018 and will not restate comparative information. Overall, the Group expects no significant impact on its statement of financial position and equity.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. During the year, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis which is tabulated below. The Group is in the business of manufacturing and sale of beer, ready-to-drink alcoholic beverages and soft-drinks, as well as the distillation and sale of potable and industrial alcohol. The services are sold both on their own in separate identified contracts with customers and together as a bundled package of goods.

#### **(a) Sale of goods**

For contracts with customers in which the sale is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. In preparing to adopt IFRS 15, the Group considered the following:

##### • *Variable consideration*

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable net of returns and allowances, while trade discounts and volume rebates are recorded as costs. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group expects that application of the constraint will result in more revenue being deferred than under current IFRS.

## OVERVIEW (CONTINUED)

- *Rights of return*

When a contract with a customer provides a right to return the good within the specified period, the Group currently accounts for the right of return using a probability-weighted average amount of return approach similar to the expected value method under IFRS 15. Under the current accounting policy, the amount of revenue related to the expected returns is deferred and recognised in the statement of financial position within *Trade and other payables*. A corresponding adjustment is made to the cost of sales. The initial carrying amount of goods expected to be returned is included within *Inventories*.

Under IFRS 15, because the contract allows the customer to return the products, the consideration received from the customer is variable. The Group has decided to use the expected value method to estimate the goods that will be returned because this method better predicts the amount of variable consideration to which the Group will be entitled. The Group applied the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price.

- *Volume rebates*

Under its existing accounting policy, the Group estimates the expected volume rebates using the probability-weighted average amount of rebates approach and includes them in *Trade and other payables*. These amounts may subsequently be repaid in cash or free goods to the customer or are offset against amounts payable by customer.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group considered that the most likely amount method better predicts the amount of variable consideration for contracts with only a single volume threshold while for contracts with more than one volume threshold it would apply either the expected value method or the most likely amount method, depending on which of them better predicts the amount of variable consideration for the particular type of contract.

### **(b) Presentation and disclosure requirements**

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will not be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2017 the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

The company performed its analysis on the current year results and considers that the impact of IFRS 15 adoption is expected to be immaterial.

### **IFRS 16 Leases**

IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The Group expects significant changes its accounting processes and reporting due to this standard.

In 2018, the Group will complete its assessment of the potential effect of IFRS 16 on its consolidated financial statements and report the analysed impact of this standard in its next financial statements before the mandatory application date.

## OVERVIEW (CONTINUED)

### USE OF ESTIMATES

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The key estimates and assumptions that are material to the financial statements relate to the following areas:

- Estimation of useful lives of property, plant and equipment and intangible assets, refer to Note 7 and 8;
- Impairment testing, refer to Note 9; and
- Income tax, refer to Note 10.

### PRINCIPLES OF CONSOLIDATION

#### Subsidiaries

The consolidated financial statements of the Group comprise those of the parent entity, Paradise Beverages (Fiji) Limited, and its subsidiary. The Group controls an entity when it has power over the entity, is exposed to, and has the rights to, variable returns from its involvement with that entity and it has the ability to affect those returns.

In preparing the consolidated financial statements, the effects of all intra-group transactions, balances and unrealised gains and losses on transactions between entity in the Group have been eliminated. The financial statements of subsidiaries have been prepared for the same reporting period as that of the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

#### Non-controlling interests (NCIs)

The Group measures NCIs at their proportionate share of the subsidiary's identifiable net assets, profit for the year and movements in reserves.

### FOREIGN CURRENCY TRANSLATION

The functional and presentation currency of Paradise Beverages (Fiji) Limited is Fiji Dollars. Each entity in the Group determines its own functional currency, reflecting the currency of the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Exchange rate gains or losses arising from the application of these procedures are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The assets and liabilities of the subsidiary, Samoa Breweries Limited are translated by applying the rate ruling at balance date and revenue and expense items are translated at the average rate calculated for the period. Transactions in equity are translated by applying the rate ruling on the date of the transaction with no subsequent revaluation. All differences arising from translation of the financial statements of foreign subsidiaries at these various exchange rates, are recognised within the foreign currency translation reserve and presented in other comprehensive income

The rate used to translate the assets and liabilities of the subsidiary, Samoa Breweries Limited was 1.2229:1 (2016: 1.2143:1) while the average rate used to translate revenue and expense accounts was 1.2156:1 (2016: 1.2231:1).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## I. RESULTS FOR THE YEAR

### 1 SEGMENT REPORTING

The group operates predominantly in the manufacture and sale of beer, ready-to-drink alcoholic beverages and soft-drinks, as well as the distillation and sale of potable and industrial alcohol. The holding company operates in Suva, Fiji while its subsidiary operates in Vaitele, Samoa.

#### (a) Geographical segments

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the year ended 31 December 2017 and year ended 31 December 2016.

	Samoa	Fiji	Eliminations	Total
	\$	\$	\$	\$
<b>As at 31 December 2017</b>				
<b>Revenue</b>				
External sales	25,659,088	72,742,849	(174,519)	<b>98,227,418</b>
<b>Segment revenue</b>	<b>25,659,088</b>	<b>72,742,849</b>	<b>(174,519)</b>	<b>98,227,418</b>
<b>Results</b>				
Profit from operating activities	1,042,959	15,666,965	(7,795)	<b>16,702,129</b>
Finance costs	(145,062)	(4,997)	–	<b>(150,059)</b>
<b>Profit before income tax</b>	<b>897,897</b>	<b>15,661,968</b>	<b>(7,795)</b>	<b>16,552,070</b>
Income tax (expense)	(241,965)	(1,573,135)	1,052	<b>(1,814,048)</b>
<b>Net profit</b>	<b>655,932</b>	<b>14,088,833</b>	<b>(6,743)</b>	<b>14,738,022</b>
<b>Assets and liabilities</b>				
Segment assets	45,622,317	130,838,425	(18,049,613)	<b>158,411,129</b>
<b>Total assets</b>	<b>45,622,317</b>	<b>130,838,425</b>	<b>(18,049,613)</b>	<b>158,411,129</b>
Segment liabilities	15,718,301	13,566,102	(813,115)	<b>28,471,288</b>
<b>Total liabilities</b>	<b>15,718,301</b>	<b>13,566,102</b>	<b>(813,115)</b>	<b>28,471,288</b>
<b>Other segment information</b>				
Capital expenditure:				
- Tangible fixed assets	2,768,902	8,201,883	–	10,970,785
Amortisation of intangible assets	–	(207,823)	–	(207,823)
Depreciation	(3,997,080)	(4,725,371)	–	(8,722,451)
Doubtful and bad debts	(46,252)	(116,920)	–	(163,172)

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## I. RESULTS FOR THE YEAR (CONTINUED)

### 1 SEGMENT REPORTING (CONTINUED)

#### (a) Geographical segments (continued)

	Samoa	Fiji	Eliminations	Total
	\$	\$	\$	\$
<b>As at 31 December 2016</b>				
<b>Revenue</b>				
External sales	25,851,806	71,870,849	(51,888)	<b>97,670,767</b>
<b>Segment revenue</b>	<b>25,851,806</b>	<b>71,870,848</b>	<b>(51,888)</b>	<b>97,670,767</b>
<b>Results</b>				
Profit from operating activities	1,343,836	14,065,058	1,066	<b>15,409,960</b>
Finance costs	(50,082)	(2,385)	-	<b>(52,467)</b>
<b>Profit before income tax</b>	<b>1,293,754</b>	<b>14,062,673</b>	<b>1,066</b>	<b>15,357,493</b>
Income tax (expense)	(349,323)	(1,516,421)	560	<b>(1,865,184)</b>
<b>Net profit</b>	<b>944,431</b>	<b>12,546,252</b>	<b>1,626</b>	<b>13,492,309</b>
<b>Assets and liabilities</b>				
Segment assets	41,331,705	121,029,719	(17,701,005)	<b>144,660,419</b>
<b>Total assets</b>	<b>41,331,705</b>	<b>121,029,719</b>	<b>(17,701,005)</b>	<b>144,660,419</b>
Segment liabilities	11,872,205	14,791,726	(471,252)	<b>26,192,679</b>
<b>Total liabilities</b>	<b>11,872,205</b>	<b>14,791,726</b>	<b>(471,252)</b>	<b>26,192,679</b>
<b>Other segment information</b>				
Capital expenditure:				
Tangible fixed assets	2,178,322	14,870,293	(228,103)	16,820,512
Amortisation of intangible assets	-	(234,067)	-	(234,067)
Depreciation	(4,136,076)	(4,227,382)	-	(8,363,458)
Doubtful and bad debts	(109,521)	117,316	-	7,795

#### (b) Secondary reporting - Business segments

	Net external operating revenue	
	2017	2016
	\$	\$
Beer	67,494,156	70,122,468
Spirits	7,270,036	6,385,606
Soft drinks	9,675,462	9,546,755
Other	13,787,764	11,615,938
<b>Group total</b>	<b>98,227,418</b>	<b>97,670,767</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## I. RESULTS FOR THE YEAR (CONTINUED)

### 2 REVENUE

	Net external operating revenue	
	2017	2016
	\$	\$
<b>2.1 Revenue</b>		
Sale of products	188,973,919	182,029,615
Excise and other duties and taxes	(90,746,501)	(84,358,848)
	<b>98,227,418</b>	<b>97,670,767</b>
<b>2.2 Other operating revenue</b>		
Foreign exchange gain	267,251	302,141
Gain on disposal of property, plant and equipment	7,386	35,578
Insurance claim (Cyclone 2016)	318,348	-
Other revenue	462,064	207,840
Total other operating income	<b>1,055,049</b>	<b>545,559</b>
<b>Total revenue</b>	<b>99,282,467</b>	<b>98,216,326</b>

### RECOGNITION AND MEASUREMENT

#### Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable net of discounts, allowances and applicable amounts of value added taxes such as the Fijian Value Added Tax (VAT) and Samoan Value Added Goods and Services Tax (VAGST). The following specific criteria must also be met before revenue is recognised:

#### *Sale of products*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

#### Other operating revenue

##### *Foreign exchange gain*

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at balance date.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## I. RESULTS FOR THE YEAR (CONTINUED)

### 3 EXPENSES

	2017	2016
	\$	\$
<b>3.1 Selling and distribution expenses</b>		
Advertising and promotion	3,785,069	3,689,937
Employee related costs	3,661,417	3,183,247
Sales, marketing and distribution	5,455,132	5,186,656
Loss on disposal of property, plant and equipment	-	24,162
<b>Total selling and distribution expenses</b>	<b>12,901,618</b>	<b>12,084,002</b>
<b>3.2 Administrative expenses</b>		
Auditor's remuneration	105,044	99,054
Depreciation and amortisation	646,105	762,489
Directors' fees	16,000	16,000
Doubtful debts	163,172	(7,795)
Employee related costs	3,602,913	3,271,646
Insurance	539,441	534,271
Management fees	188,083	201,090
Unrealised foreign exchange loss	58,767	100,061
Other operating expenses	2,572,458	2,950,339
<b>Total administrative expenses</b>	<b>7,891,983</b>	<b>7,927,155</b>
<b>3.3 Finance costs</b>		
Interest on bank overdrafts	150,059	52,467
<b>Total finance costs</b>	<b>150,059</b>	<b>52,467</b>

### RECOGNITION AND MEASUREMENT

#### Employee related costs

Employee related costs include wages and salaries, annual leave, sick leave, incentives, compensated absences and other benefits, which are charged against profit in their respective expense categories when services are provided by or benefits vest with the employee. The Group's contributions made to defined contribution superannuation plans are recognised as an expense when they fall due.

For accounting policies on the provision for employee benefits and share based payments, refer to Notes 11a and 12b respectively.

#### Finance costs

Finance costs mainly comprise of interest costs on interest bearing liabilities.

Interest costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## I. RESULTS FOR THE YEAR (CONTINUED)

### 4 DIVIDENDS

	2017	2016
	\$	\$
<b>Declared and paid in period:</b>		
Final dividend paid at 30¢ per share (2016: special dividend of 30¢ per share)	3,122,438	3,122,438

### 5 EARNINGS PER SHARE

	2017	2016
Operating profit after income tax (\$)	14,738,022	13,492,309
Weighted average number of shares on issue	10,408,125	10,408,125
Basic earnings per share (cents)	1.42	1.30

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

There are no convertible redeemable preference shares for the group. There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## II. ASSETS AND LIABILITIES – OPERATING AND INVESTING

The Group manages its overall financial position by segregating its balance sheet into two categories: Assets and Liabilities – Operating and Investing; and Capital – Financing.

Details of Assets and Liabilities – Operating and Investing are as follows:

	Note	2017	2016
		\$	\$
Working capital	6	41,539,872	34,420,942
Property, plant and equipment	7	87,076,583	82,264,694
Intangible assets	8	9,181,692	9,389,515
Current and deferred liabilities	10b	(4,707,072)	(4,243,575)
Other liabilities	11	(2,822,138)	(2,821,556)
Capital - Financing	Sec III	<b>130,268,937</b>	<b>119,010,020</b>

### 6 WORKING CAPITAL

	Note	2017	2016
		\$	\$
Trade and other receivables	6a	24,320,039	19,463,190
Inventories	6b	33,845,687	31,231,930
Trade and other payables	6c	(16,625,854)	(16,274,178)
		<b>41,539,872</b>	<b>34,420,942</b>

### 6a TRADE AND OTHER RECEIVABLES

	2017	2016
	\$	\$
Trade receivables	23,253,877	18,927,276
Provision for impaired receivables	(609,270)	(784,966)
	<b>22,644,607</b>	<b>18,142,310</b>
Other Receivables:		
Related parties	851,710	441,131
Other	823,722	879,749
	<b>24,320,039</b>	<b>19,463,190</b>
<b>Movements in the provision for impaired receivables</b>		
Balance at beginning of the year	784,966	796,157
Decrease in provisions	(171,366)	(7,795)
Translation differences	(4,329)	(3,396)
<b>Balance at end of the year</b>	<b>609,270</b>	<b>784,966</b>
<b>Trade receivables past due but not impaired</b>		
At balance dates, the ageing analysis of trade receivables is as follows:		
Current	13,658,253	10,412,615
0-30 days	7,454,533	5,480,539
30-60 days	688,077	811,525
60+ days	843,744	1,437,631
	<b>22,644,607</b>	<b>18,142,310</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## II. ASSETS AND LIABILITIES – OPERATING AND INVESTING (CONTINUED)

### 6a TRADE AND OTHER RECEIVABLES (CONTINUED)

#### RECOGNITION AND MEASUREMENT

Trade and other receivables are recognised at amounts due and subsequently reviewed for collectability on an ongoing basis. Where there is evidence that amounts due may not be fully or partly recoverable, a specific provision for impaired receivables is recognised in the income statement. Bad debts are written off during the period in which they become known.

Refer to Note 14b) ii) on credit risk of trade and other receivables. For details of related party receivables included in trade and other receivables, refer to Note 16.

Trade receivables are non-interest bearing and are generally on the following terms:

Beer and Ready-to-Drink alcoholic beverages	7 – 14 days
Spirits (domestic)	21 days
Bulk Spirits (export)	30 – 60 days
Soft Drinks	30 days

### 6b INVENTORIES

	2017	2016
	\$	\$
Raw materials and engineering stores	20,750,024	20,344,565
Work in progress	10,716,456	9,678,802
Finished goods	3,064,448	2,287,965
	34,530,928	32,311,332
Provision for impaired inventories	(685,241)	(1,079,402)
	<b>33,845,687</b>	<b>31,231,930</b>
<b>Movements in the provision for impairment of inventories were as follows:</b>		
Balance at beginning of the year	(1,079,402)	(691,118)
Charge for the period	(806,794)	(837,370)
Utilised	1,197,236	446,611
Translation differences	3,719	2,475
Balance at end of the year	<b>(685,241)</b>	<b>(1,079,402)</b>

#### RECOGNITION AND MEASUREMENT

Inventories are stated at the lower of cost (including fixed and variable factory overheads where applicable) and net realisable value. Cost is determined on the basis of first-in-first-out, average or standard, whichever is the most appropriate in each case. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Provision for stock obsolescence is assessed and raised on a specific basis based on a review of inventories. Inventories considered obsolete or un-serviceable are written off in the period in which they are identified.

### 6c TRADE AND OTHER PAYABLES

	2017	2016
	\$	\$
Trade payables	4,613,933	5,606,870
Related parties:		
- Coca-Cola Amatil (Fiji) Ltd-parent entity	598,404	149,381
- Other related parties	637,473	613,885
Dividends payable	548,393	532,128
Accruals and other creditors	10,227,651	9,371,914
	<b>16,625,854</b>	<b>16,274,178</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## II. ASSETS AND LIABILITIES – OPERATING AND INVESTING (CONTINUED)

### 6c TRADE AND OTHER PAYABLES (CONTINUED)

#### RECOGNITION AND MEASUREMENT

Trade and other payables are carried at amount due. Liabilities are brought to account for amounts payable in relation to goods received and services rendered, whether or not billed at the reporting date. Accrued charges represent accrual for marketing rebates, promotional allowances and amounts due for supplies and services received but not invoiced at the reporting date.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-60 days terms.
- Other payables are non-interest bearing and have an average term of six months.

For details of related party payables included in trade and other payables, refer to Note 16.

### 7 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings and improvements	Plant, furniture and motor vehicles	Property, plant and equipment under construction	Total
	\$	\$	\$	\$	\$
<b>31 December 2017</b>					
Cost	3,196,644	20,242,770	127,303,898	16,226,939	166,970,251
Accumulated depreciation and impairment	-	(7,987,995)	(71,905,673)	-	(79,893,668)
	<b>3,196,644</b>	<b>12,254,775</b>	<b>55,398,225</b>	<b>16,226,939</b>	<b>87,076,583</b>
Movement:					
At 1 January 2017	3,210,097	12,824,982	49,993,399	16,236,216	82,264,694
Additions <sup>1</sup>	-	-	-	10,970,785	10,970,785
Disposals	-	-	(3,623)	-	(3,623)
Depreciation expense	-	(548,172)	(8,174,280)	-	(8,722,452)
Reclassification/transfers	-	9,203	13,698,185	(10,982,240)	2,725,148
Net foreign currency and other movements	(13,453)	(31,238)	(115,456)	2,178	(157,969)
<b>At 31 December 2017</b>	<b>3,196,644</b>	<b>12,254,775</b>	<b>55,398,225</b>	<b>16,226,939</b>	<b>87,076,583</b>
<b>31 December 2016</b>					
Cost	3,210,097	20,286,327	114,963,202	16,236,216	154,695,842
Accumulated depreciation and impairment	-	(7,461,345)	(64,969,803)	-	(72,431,148)
	<b>3,210,097</b>	<b>12,824,982</b>	<b>49,993,399</b>	<b>16,236,216</b>	<b>82,264,694</b>
Movement:					
At 1 January 2016	3,229,581	7,952,520	39,088,262	22,005,808	72,276,171
Additions <sup>1</sup>	-	-	-	16,820,512	16,820,512
Disposals	-	-	(25,236)	-	(25,236)
Depreciation expense	-	(581,770)	(7,781,688)	-	(8,363,458)
Reclassification/transfers	-	5,506,744	18,897,361	(22,582,467)	1,821,638
Net foreign currency and other movements	(19,484)	(52,512)	(185,300)	(7,637)	(264,933)
<b>At 31 December 2016</b>	<b>3,210,097</b>	<b>12,824,982</b>	<b>49,993,399</b>	<b>16,236,216</b>	<b>82,264,694</b>
<b>1 January 2016</b>					
Cost	3,229,581	14,855,483	99,492,231	22,005,808	139,583,103
Accumulated depreciation and impairment	-	(6,902,963)	(60,403,969)	-	(67,306,932)
	<b>3,229,581</b>	<b>7,952,520</b>	<b>39,088,262</b>	<b>22,005,808</b>	<b>72,276,171</b>

<sup>1</sup> At 31 December 2017, non-cash addition balance for the group amounted to (nil) \$ (2016: \$1,601,412).

## II. ASSETS AND LIABILITIES – OPERATING AND INVESTING (CONTINUED)

### 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### RECOGNITION AND MEASUREMENT

Property, plant and equipment assets are stated at cost less accumulated depreciation and impairment except for those assets revalued in prior periods. The exemption permitted under IFRS 1 has been adopted for previously revalued assets whose balances are now deemed to be their cost. Costs include expenditure that is directly attributable to acquisition of the items. Subsequent expenditure is capitalised when it is probable that future economic benefits associated with the expenditure will flow to the Group.

	Rate per annum	Method
Premium on leasehold land	Various	Over period of lease
Buildings	1.17% - 20%	Straight - line
Plant and equipment	2.5% - 100%	Straight - line and diminishing value
Vehicles	8% - 33%	Straight - line
Furniture and fittings	1.25% - 25%	Straight - line and diminishing value

An item of property, plant and equipment is derecognised upon disposal of an asset. Any gain or loss arising on derecognition of an asset (calculated by comparing proceeds with the carrying amount) is included in the income statement in that financial year.

Property, plant and equipment assets, are tested for impairment when there is any indication of impairment and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of carrying value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the statement of comprehensive income.

#### Impairment of property, plant and equipment and intangible assets

The group assesses whether there are any indicators of impairment of all property, plant and equipment and intangible assets at each reporting date. Property, plant and equipment and intangible assets are tested for impairment and when there are indicators that the carrying amount may not be recoverable, a reasonable provision for impairment is created. For the year ended 31 December 2017, no additional provision for impairment has been made as the group reasonably believes that no indicators for impairment exist.

#### KEY ESTIMATES

Useful lives of assets are estimated based on historical experience. In addition, the condition of assets is assessed annually and considered against the remaining useful life. Adjustments to useful life are made when deemed necessary.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## II. ASSETS AND LIABILITIES – OPERATING AND INVESTING (CONTINUED)

### 8 INTANGIBLE ASSETS

	Indefinite lives		Definite lives		Total
	Brand names and trademarks	Goodwill	Brand names and trademarks	Software development and other assets	
	\$	\$	\$	\$	\$
<b>31 December 2017</b>					
Cost	520,000	1,554,908	7,766,976	393,633	10,235,517
Accumulated amortisation and impairment <sup>1</sup>	–	–	(660,192)	(393,633)	(1,053,825)
	<b>520,000</b>	<b>1,554,908</b>	<b>7,106,784</b>	<b>-</b>	<b>9,181,692</b>
Movement:					
At 1 January 2017	520,000	1,554,908	7,262,122	52,485	9,389,515
Amortisation expense	–	–	(155,338)	(52,485)	(207,823)
<b>At 31 December 2017</b>	<b>520,000</b>	<b>1,554,908</b>	<b>7,106,784</b>	<b>-</b>	<b>9,181,692</b>
<b>31 December 2016</b>					
Cost	520,000	1,554,908	7,766,976	393,633	10,235,517
Accumulated amortisation and impairment <sup>1</sup>	–	–	(504,854)	(341,148)	(846,002)
	<b>520,000</b>	<b>1,554,908</b>	<b>7,262,122</b>	<b>52,485</b>	<b>9,389,515</b>
Movement:					
At 1 January 2016	520,000	1,554,908	7,417,462	131,212	9,623,582
Amortisation expense	–	–	(155,340)	(78,727)	(234,067)
<b>At 31 December 2016</b>	<b>520,000</b>	<b>1,554,908</b>	<b>7,262,122</b>	<b>52,485</b>	<b>9,389,515</b>
<b>1 January 2016</b>					
Cost	520,000	1,554,908	7,766,796	393,633	10,235,517
Accumulated amortisation and impairment <sup>1</sup>	–	–	(349,514)	(262,421)	(611,935)
	<b>520,000</b>	<b>1,554,908</b>	<b>7,417,462</b>	<b>131,212</b>	<b>9,623,582</b>

<sup>1</sup> Movements are due to amortisation.

### RECOGNITION AND MEASUREMENT

#### Indefinite lived

Indefinite life intangible assets, except for goodwill, acquired through business acquisition transactions are recognised initially at fair value at the date of acquisition which is subsequently deemed to be cost.

#### Goodwill

Goodwill is the excess of the cost of a business acquisition over the fair value of net assets acquired. Goodwill is not amortised but is tested annually for impairment.

#### Brand names and trademarks

Indefinite lived brand names and trademarks comprise of spirits brand names acquired from the merger with South Pacific Distilleries Limited. In assessing the useful life of brand names, consideration is given to the existing longevity, the indefinite life cycle of the industry in which PBFL operates and the expected usage of the brand names in the future.

In light of these considerations, no factor could be identified that would result in the brand names having a finite useful life and accordingly, spirits brand names have been assessed as having an indefinite useful life, which requires annual impairment testing.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## II. ASSETS AND LIABILITIES – OPERATING AND INVESTING (CONTINUED)

### 8 INTANGIBLE ASSETS (CONTINUED)

#### Definite lived

Definite life intangible assets are accounted for at cost. Assets acquired in a business acquisition, are recognised initially at fair value at the date of acquisition which is subsequently deemed to be cost. Following initial recognition, intangible assets are amortised on a straight line basis over their useful lives and tested for impairment when there is any indication of impairment. Useful life details for these assets are as follows:

Brand names and trademarks	50 years
Software development and other assets	3 to 10 years

Any gain or loss arising on derecognition of an asset (calculated by comparing the proceeds with the carrying amount) is included in the income statement in that financial year.

#### Impairment of property, plant and equipment and intangible assets

The group assesses whether there are any indicators of impairment of all property, plant and equipment and intangible assets at each reporting date. Property, plant and equipment and intangible assets are tested for impairment and when there are indicators that the carrying amount may not be recoverable, a reasonable provision for impairment is created. For the year ended 31 December 2017, no additional provision for impairment has been made as the group reasonably believes that no indicators for impairment exist.

#### KEY ESTIMATES

Useful lives of assets are estimated based on historical experience and the expected period of future consumption of embodied economic benefits. In addition, the condition of assets is assessed and adjustments to useful lives are made when deemed necessary.

### 9 IMPAIRMENT TESTING

#### RECOGNITION AND MEASUREMENT

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or where annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. An impairment loss will be recognised in the income statement for the amount by which the carrying amount of an asset exceeds the recoverable amount, which is defined as the greater of an asset's fair value less costs to sell, or value in use. Non-financial assets, other than goodwill, that suffered an impairment in prior periods are reviewed for possible reversal of the impairment at each reporting date.

A summary of intangible assets deemed to have indefinite lives is presented below:

	2017	2016
	\$	\$
Goodwill	1,554,908	1,554,908
Brand names	520,000	520,000
	<b>2,074,908</b>	<b>2,074,908</b>

#### IMPAIRMENT TESTING

Annual impairment testing is carried out at the cash generating unit (CGU) level, by comparison of the CGU's recoverable amount to its carrying amount. The value in use for the purpose of recoverable amount calculations was determined by discounting the forecasted future cash flows to be generated from the continuing use of the CGUs and using the terminal growth rates of nil to 2% (2016: nil to 2%).

#### Key estimates

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## II. ASSETS AND LIABILITIES – OPERATING AND INVESTING (CONTINUED)

### 10 INCOME TAX 10a INCOME TAX EXPENSE

	2017	2016
	\$	\$
Accounting profit before income tax	16,552,070	15,357,493
Prima facie tax thereon at the Fiji rate of 10%	1,655,207	1,535,749
Tax rates differential on overseas income	152,646	219,281
Non-deductible expenses	97,733	110,519
Over provision from prior period	(91,538)	(365)
<b>Income tax attributable to operating profit</b>	<b>1,814,048</b>	<b>1,865,184</b>
<b>Consolidated income statement</b>		
<b>Current income tax:</b>		
Current income tax charge	1,527,932	1,406,833
Adjustments in respect of prior period	(118,485)	(4,456)
<b>Deferred income tax:</b>		
Origination and reversal of temporary differences	377,654	458,715
Adjustment in respect of prior period	26,947	4,092
<b>Income tax expense</b>	<b>1,814,048</b>	<b>1,865,184</b>

### 10b CURRENT AND DEFERRED TAX ASSETS/(LIABILITIES)

	2017	2016
	\$	\$
Current tax assets	608,107	516,485
Current tax liabilities	(197,329)	(23,225)
Deferred tax liabilities	(5,117,850)	(4,736,835)
	<b>(4,707,072)</b>	<b>(4,243,575)</b>
<b>Deferred income tax liabilities recognised in the balance sheet relate to the following:</b>		
Provision for doubtful debts	108,931	167,670
Provision for employee entitlements	432,252	368,571
Provision for stock obsolescence	160,631	197,962
Tax losses	-	298,101
Accelerated depreciation	(4,396,118)	(4,570,627)
Unrealised exchange gain	(173)	(3,642)
Amortised value used bottles	(1,425,821)	(1,196,264)
Unrealised profit in stock	2,448	1,394
<b>Net deferred tax liability</b>	<b>(5,117,850)</b>	<b>(4,736,835)</b>

### RECOGNITION AND MEASUREMENT

#### Current tax

Current tax asset or liability represents amounts receivable or payable in relation to income taxes attributable to taxable profits of the current or prior financial years, less instalments of income tax paid. The tax rates and laws used to compute current taxes are those that are enacted or substantially enacted as at the reporting date.

## II. ASSETS AND LIABILITIES – OPERATING AND INVESTING (CONTINUED)

### 10b CURRENT AND DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

#### Deferred tax

Deferred tax balances arise when there are temporary differences between accounting carrying amounts and the tax bases of assets and liabilities, other than for the following:

- where the difference arises from the initial recognition of an asset or liability in a transaction that is not an acquisition of a business and affects neither the accounting profit nor taxable profit or loss; and
- where temporary differences relate to investments in subsidiaries to the extent the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

#### Key estimates

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the group companies.

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgment is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### 11 OTHER ASSETS/(LIABILITIES)

	Note	2017	2016
		\$	\$
Prepayments		1,033,876	623,633
Employee benefits provisions – current and non-current	11a	(3,856,014)	(3,445,189)
		<b>(2,822,138)</b>	<b>(2,821,556)</b>

#### 11a EMPLOYEE BENEFITS PROVISIONS

	2017	2016
	\$	\$
Current	2,465,478	1,957,086
Non-current	1,390,536	1,488,103
	<b>3,865,014</b>	<b>3,445,189</b>

#### RECOGNITION AND MEASUREMENT

##### Employee benefits

Employee benefits provisions include liabilities for benefits accumulated as a result of employees rendering services up to balance date, including related on-costs, in relation to annual, long service and other leave, incentives and termination and other benefits. These benefits are charged to the income statement when services are provided and to the extent the benefits are expected to vest with employees.

Employee benefits provisions are measured at remuneration rates expected to be applicable to future payments which settle these liabilities, and are discounted back to the reporting date using market yields on corporate bonds with maturities aligned to the estimated timing of settlement payments.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## III. CAPITAL - FINANCING

The Group's capital – financing comprises equity, cash and interest bearing liabilities.

	Note	2017	2016
		\$	\$
Equity	12	129,939,841	118,467,740
Net debt	13	329,096	542,280
		<b>130,268,937</b>	<b>119,010,020</b>

### 12 EQUITY

	Note	2017	2016
		\$	\$
Share capital	12a	6,734,250	6,734,250
Reserves		6,266,036	6,396,519
Retained earnings		115,100,458	103,525,212
Non-controlling interests		1,839,097	1,811,759
		<b>129,939,841</b>	<b>118,467,740</b>

### 12a SHARE CAPITAL

As at the end of the financial year, the number of fully paid ordinary shares for 2017 and 2016 was 10,408,125. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote. Ordinary shares have no par value.

	2017	2016
	\$	\$
<b>Issued and paid up capital</b>		
10,408,125 ordinary shares	2,081,625	2,081,625
Historic transfer from Share Premium Reserve	4,652,625	4,652,625
	<b>6,734,250</b>	<b>6,734,250</b>

The group's capital comprises ordinary shares only and these carry the same rights, preferences and restrictions. Under the provisions of the sec 194 and sec 735 of the Fiji Companies Act 2015, the authorised capital concept has been abolished. In addition, under the provisions of the sec 196 (a) and sec 737 of the Fiji Companies Act 2015, the share premium reserve has been reclassified as part of the Company's existing total issued share capital.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## III. CAPITAL - FINANCING (CONTINUED)

### 12b RESERVES

#### NATURE AND PURPOSE OF RESERVES

##### Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

##### Share-based payments reserve

The share-based payments reserve is used to record obligations to provide share rights in Coca-Cola Amatil Limited to senior executives of the group, which may vest with those executives, subject to certain performance criteria being met, in accordance with the Coca-Cola Amatil Limited's Long Term Incentive Share Rights Plan. Vesting rights under this plan have no impact on the ownership of Paradise Beverages (Fiji) Limited.

##### General reserve

The general reserve is a legacy revenue reserve set aside from retained earnings.

### 13 NET DEBT

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2017 and 31 December 2016:

	Note	2017	2016
		\$	\$
Cash at bank and short term deposits		2,334,132	1,159,954
Cash on hand		11,013	11,018
Cash and cash equivalents		2,345,145	1,170,972
Less: Interest bearing liabilities - Bank overdraft	13a	(2,674,241)	(1,713,252)
<b>Net debt</b>		<b>(329,096)</b>	<b>(542,280)</b>

#### RECOGNITION AND MEASUREMENT

Cash assets comprise of cash on hand, cash at banks and short term deposits with a maturity of one year or less that are repayable to the Group on demand and are subject to an insignificant risk of changes in value.

Cash at banks does not earn interest.

### 13a INTEREST BEARING LIABILITIES

Country	Current	Maturity	Effective interest rate%	2017	2016
				\$	\$
Fiji	Bank o/d	On demand	3.00%	-	1,713,252
Samoa	Bank o/d	On demand	8.50%	2,674,241	-
				<b>2,674,241</b>	<b>1,713,252</b>

#### Particulars relating to interest-bearing liabilities:

The bank overdraft is secured by:

- (i) Letter of comfort given by parent company, Coca-Cola Amatil (Fiji) Limited;
- (ii) Registered mortgage over freehold land at Vaitele, Samoa; and
- (ii) Registered mortgage over company assets.

#### RECOGNITION AND MEASUREMENT

Interest bearing liabilities are initially recognised at fair value at settlement date and subsequently at amortised cost using the effective interest method, net of associated transaction costs.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## IV. RISK MANAGEMENT

### 14 FINANCIAL RISK MANAGEMENT

The Group's financial assets and liabilities originate from and are used for the following purposes:

#### Operating and investing activities

These activities generate financial assets and liabilities including cash, trade and other receivables, and trade and other payables.

#### Financing activities

Financial assets and liabilities are used to invest funds where surplus amounts arise and to raise finance for the Group's operations. The principal types of financial assets and liabilities used include cash, term deposits, bonds, bank loans and bank overdrafts.

#### Risk management

Financial assets and liabilities, are used to manage financial risks that arise from the abovementioned activities. The main risk arising from the group's financial statements are foreign currency risk, interest rate risk, credit risk, and liquidity risk.

These risks are summarised as, and described further, in the following sections to this note:

- a) details of market risks relating to:
  - i) foreign currencies;
  - ii) interest rates; and
  - iii) operational risks.
- b) details of other financial risks relating to:
  - i) credit; and
  - ii) liquidity.

#### a) Market risks

##### i) Foreign currency risk

The group has transactional currency exposures. Such exposures arise from purchases by the group in currency other than Fijian dollars. The majority of purchases are made in Australian dollars (AUD) and New Zealand dollars (NZD), and the Euro (EUR). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The group manages foreign currency risk by entering into forward exchange rates contracts with banks for 30 days periods. All overseas creditors are paid within 30 days.

##### ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's overdraft facilities. As at 31 December 2017, the interest rate is 8.50% per annum for the subsidiary and 3.00% for the holding company.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date:

	Increase/ (decrease) in basis points	Effect on profit before tax \$
31 December 2017	+100	2,228
	-100	(2,228)
31 December 2016	+100	3,125
	-100	(3,125)

##### iii) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, and fraud to external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The group cannot expect to eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the group is able to manage risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment procedures.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## IV. RISK MANAGEMENT (CONTINUED)

### 14 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b) Other financial risks

##### i) Credit risk

It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the group.

##### - Cash and cash equivalents and deposits

The counterparties relating to the group's cash and cash equivalents and deposits are significant financial institutions. Management does not believe there is a significant risk of non-performance by these counterparties.

##### - Trade and other receivables

It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. As part of its risk control procedures, an assessment of the credit quality of a new customer, taking into account its financial position, past experience and other factors is carried out prior to the board approval. Individual credit risk limits are then set based on the assessments done. The utilisation of credit limits is regularly monitored.

##### ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet present obligations. Management monitors rolling forecasts of the group's liquidity reserve, comprising of cash and cash equivalents (note 13) on the basis of expected cash flow.

The table below summarises the maturity profile of the group's financial liabilities at 31 December 2017 and year ended 31 December 2016 based on contractual undiscounted payments.

	2017	2016
	\$	\$
<b>Trade and other payables</b>		
- Less than 3 months	16,625,854	16,274,178

#### Capital management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

During the year, the group's strategy, which was unchanged from 2016, was to maintain a minimum gearing ratio. The gearing ratio at 31 December 2017 was 0.3% (31 December 2016: 0.5%).

	2017	2016
	\$	\$
Interest bearing liabilities	2,674,241	1,713,252
Less: cash and short term deposits	(2,345,145)	(1,170,972)
Net debt	329,096	542,280
Equity	129,939,841	118,467,740
Total capital	129,939,841	118,467,740
<b>Capital and net debt</b>	<b>130,268,937</b>	<b>119,010,020</b>
	%	%
<b>Gearing ratio</b>	<b>0.3</b>	<b>0.5</b>

### 15 FAIR VALUE

The Group applies historical cost accounting except for cash, trade & other receivables and payables where the carrying value approximates the fair value due to their short term nature.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## V. OTHER INFORMATION

### 16 RELATED PARTIES

- a) **Directors' fee and emoluments**  
Amount paid for directors' fees and emoluments are disclosed in Note 3.2.
- b) **Controlling entity**  
The group's immediate parent is Coca-Cola Amatil (Fiji) Limited ('CCAFL'). At balance date, CCAFL held 9,325,000 (2016: 9,325,000) ordinary shares in Paradise Beverages (Fiji) Limited, representing 89.59% (2016: 89.59%) of the issued share capital. The group's ultimate parent is Coca-Cola Amatil Limited.
- c) **Ownership interest in related parties**  
PBFL owns 93% of the issued capital of its subsidiary company, Samoa Breweries Limited.
- d) **Related party transactions**  
All transactions with related parties are made on commercial terms and conditions. The material transactions during the period were:

	2017	2016
	\$	\$
<b>Parent company – CCAFL</b>		
- Sales	(21,555)	(10,569)
- Purchases	1,265,865	1,170,487
- Expense recharges (net)	154,037	154,634
- Capital recharges (net)	–	91,400
	1,398,347	1,405,952
<b>Coca-Cola Amatil (Aust) Pty Ltd</b>		
- Sales	(1,185,176)	(1,212,078)
- Expense recharges (net)	37,696	95,627
	(1,147,480)	(1,116,451)
<b>Ultimate parent company – CCA</b>		
- Expenses recharges (net)	641,121	1,256,120
- Management fees	165,472	155,841
	806,593	1,411,961
<b>Coca-Cola Amatil (NZ) Ltd</b>		
- Purchases	368,655	184,586
- Expense recharges (net)	22,009	–
- Capital recharges (net)	–	61,471
	390,664	246,057
<b>Pacific Refreshments Ltd</b>		
- Purchases	1,222,588	1,211,006
<b>The Coca-Cola Company</b>		
- Rebate recharges	(62,015)	(62,056)
<b>e) Related (payables)/receivables</b>		
	2017	2016
	\$	\$
Coca-Cola Amatil (Fiji) Limited	(598,404)	(149,381)
Pacific Refreshments Pty Limited	(898,752)	(251,576)
Coca-Cola Amatil (NZ) Limited	(249,162)	(53,487)
Coca-Cola Amatil Limited	(388,310)	(308,822)
	(2,134,628)	(763,266)
Samoa Breweries Limited		
Coca-Cola Amatil (Aust) Pty Ltd	761,170	382,642
The Coca-Cola Company	90,541	58,489
	851,711	441,131
<b>Net (payables)</b>	<b>(1,282,917)</b>	<b>(322,135)</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## V. OTHER INFORMATION (CONTINUED)

### 16 RELATED PARTIES (CONTINUED)

#### f) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

During the period the executives identified as key management personnel, with the greatest authority and responsibility for planning, directing and controlling the activities of the holding company included the General Manager, Head of Operations, Chief Engineer, Financial Controller, Head of Marketing and NPD, Head of Sales & Corporate Affairs, Manager Rum Development, Production/Operations Managers in Suva and Lautoka, Commercial Manager, Manager Financial Operations, IT Manager and Human Resources Manager.

	2017	2016
	\$	\$
Compensation to key management personnel of the Group:		
- Short term benefits	2,715,281	2,751,545
- Share-based payments	67,933	32,728

There are no other benefits available for key management personnel.

### 17 PARADISE BEVERAGES (FIJI) LIMITED DISCLOSURES

	2017	2016
	\$	\$
<b>a) FINANCIAL POSITION</b>		
Current assets	42,162,040	35,618,400
Non-current assets	88,676,384	85,411,319
<b>Total assets</b>	<b>130,838,424</b>	<b>121,029,719</b>
Current liabilities	11,664,192	13,011,269
Non-current liabilities	1,901,910	1,780,457
<b>Total liabilities</b>	<b>13,566,102</b>	<b>14,791,726</b>
<b>Net assets</b>	<b>117,272,322</b>	<b>106,237,993</b>
<b>Equity</b>		
Share capital	6,734,250	6,734,250
Reserves	255,939	188,006
Retained earnings	110,282,133	99,315,737
<b>Total equity</b>	<b>117,272,322</b>	<b>106,237,993</b>
<b>b) FINANCIAL PERFORMANCE</b>		
Profit for the year	14,088,834	12,546,252
Total comprehensive income for the year	14,088,834	12,546,252

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## V. OTHER INFORMATION (CONTINUED)

### 18 COMMITMENTS AND CONTINGENT LIABILITIES

	2017	2016
	\$	\$
(a) Capital expenditure commitments	2,370,495	2,344,563

Current period commitments relate to planned capital projects to be utilised in the next financial year.

Total commitments for future operating lease rentals (excluding leasehold land), which have not been provided for in the accounts are as follows:

(b) Operating Lease Commitments		
- Within one year	95,416	93,722
- After one year but not more than five years	101,500	118,665
- After five years	930,042	952,786
	1,126,958	1,165,173

Motor vehicle and office equipment leases are held with ANZ Banking (Samoa) Corporation for terms of up to 60 months with monthly repayments ranging from \$1,951 to \$3,657.

Details of commitments relating to leasehold land held by the holding company are as follows:

The holding company has various lease agreements with the Director of Lands and Housing Authority of Fiji. The terms of these leases range from 88 to 99 years with annual payments ranging from \$1,975 to \$10,000.

	2017	2016
	\$	\$
Non-performance guarantees given by the bank	594,158	594,158

At balance date, the holding company was involved in a court case initiated by a former employee. The directors believe that the holding company will successfully defend the claim.

### 19 COMPANY DETAILS

- a) Company incorporation  
The legal form of the holding company is a public company, domiciled and incorporated in the Republic of Fiji under the Fiji Companies Act, 2015. The holding company is listed on the South Pacific Stock Exchange, Suva.
- b) Registered office/Company operation  
The holding company's operations and registered office are located at 122-164 Foster Road, Walu Bay, Suva while the subsidiary is in Samoa.
- c) Number of employees  
As at balance date, the holding company employed a total of 307 employees (Group: 492 employees).

### 20 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial periods.

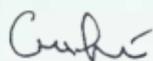
## DIRECTOR'S DECLARATION

This Directors' Declaration is required by the Companies Act, 2015.

The Directors of the company have made a resolution that declared:

- (a) in the Directors' opinion, the financial statements and notes of the Group for the financial year ended 31 December 2017:
  - i. give a true and fair view of the financial position of the company and the Group as at 31 December 2017 and of the performance of the company and the Group for the year ended 31 December 2017;
  - ii. have been made out in accordance with the Companies Act 2015.
- (b) They have received declarations as required by Section 395 of the Companies Act 2015;
- (c) At the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.



George Forster  
Chairman

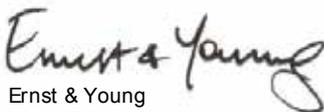
28<sup>th</sup> March 2018  
Suva, Fiji

## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PARADISE BEVERAGES (FIJI) LIMITED

As lead auditor for the audit of Paradise Beverages (Fiji) Limited and its subsidiary for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Companies Act 2015 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Paradise Beverages (Fiji) Limited and the entity it controlled during the financial year.



Ernst & Young  
Suva, Fiji



Sikeli Tuinamuana  
Ernst & Young  
Chartered Accountants  
Level 7, Pacific House  
1 Butt Street  
Suva, Fiji.

28<sup>th</sup> March 2018

## INDEPENDENT AUDIT REPORT

To the Shareholders of Paradise Beverages (Fiji) Limited  
**Report on the Audit of the Consolidated Financial Statements**

### Opinion

We have audited the consolidated financial statements of Paradise Beverages (Fiji) Limited (“the Company”) including its subsidiary (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information and the Directors’ Declaration.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matters

Other than the provision of assurance services in our capacity as auditor, we have no relationship with, or interest in, the Company. Partners and employees of our firm deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description on how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to the key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the financial statements.

Key audit matter	How our audit addressed the matter
<p>Impairment assessment of intangible assets</p> <p>As at 31 December 2017, intangible assets relating to brand names amounts to \$7.6m and represents 5% of the total assets of the Group.</p> <p>As disclosed in Notes 8 and 9 to the consolidated financial statements, the Directors’ assessment of impairment for intangible assets and other assets within the relevant cash generating unit (CGU) involves critical accounting estimates and assumptions, specifically concerning assumptions about the future, including future cash flows.</p>	<p>Our audit procedures considered the requirements of IAS 36 Impairment of Assets. This involved an assessment of whether the methodology used by management and the directors met the requirements of IAS 36 and we tested whether the impairment models used by the Group were mathematically accurate.</p> <p>We evaluated the cash flow forecasts by considering the reliability and accuracy of the Group’s historical cash flow forecasts and considered this against our knowledge of the business and sectors. We corroborated our work with external information where possible. We also evaluated the key assumptions including the discount rate, terminal growth rates and forecast growth assumptions.</p> <p>We used our valuation specialists in the conduct of these procedures where considered appropriate.</p> <p>We considered the adequacy of the financial report disclosures contained in Notes 8 and 9 regarding those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the intangible asset.</p>

### Information Other than the Consolidated Financial Statements and Auditor’s Report

The management and directors are responsible for other information. The other information comprises the information in the Group’s Annual Report for the year ended 31 December 2017, but does not include the consolidated financial statements and the auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## INDEPENDENT AUDIT REPORT [CONTINUED]

### **Information Other than the Consolidated Financial Statements and Auditor's Report continued**

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the management and Directors for the Consolidated Financial Statements**

The management and Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the Companies Act 2015 and for such internal control as the management and Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the management and Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless the management and Directors either intend to liquidate the Group to cease operations, or have no realistic alternative but to do so.

The management and Directors are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and the directors.
- ▶ Conclude on the appropriateness of management and directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with management and directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

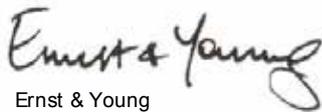
## INDEPENDENT AUDIT REPORT [CONTINUED]

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2015, in our opinion:

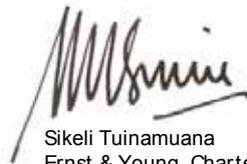
- a) Proper books of account have been kept by the company and the group, so far as it appears from our examination of those books,
- b) the accompanying financial statements:
  - i) are in agreement with the books of account; and
  - ii) to the best of our information and according to the explanations given to us, give the information required by the Companies Act, 2015 in the manner so required.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Ernst & Young  
Suva, Fiji

28th March 2018



Sikeli Tuinamuana  
Ernst & Young, Chartered Accountants  
Level 7, Pacific House  
1 Butt Street  
Suva, Fiji

## DISCLAIMER ON ADDITIONAL INFORMATION

The additional financial information, being the detailed SPSE disclosure requirements has been compiled by the management of Paradise Beverages (Fiji) Limited.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than Paradise Beverages (Fiji) Limited may suffer arising from any negligence on our part. No person should rely on the additional financial information without having an audit or review conducted.

Disclosure requirements of the South Pacific Stock Exchange (not included elsewhere in this report) are as follows:



# SOUTH PACIFIC STOCK EXCHANGE DISCLOSURE REQUIREMENTS

**(a) Statement of interest of each Director in the share capital of the Company or in a related Corporation as at 31 December 2017 in compliance with Listing Requirements:**

Cecil Browne (Direct interest) 500 shares in Paradise Beverages (Fiji) Limited.  
Gardiner Whiteside (Direct interest) 500 shares in Paradise Beverages (Fiji) Limited.

**(b) Distribution of Shareholding**

Holding	No. of Holders	% Holding
Less than 500 shares	337	0.73
500 to 5,000 shares	285	4.17
5,001 to 10,000 shares	17	1.10
10,001 to 20,000 shares	6	0.73
20,001 to 30,000 shares	2	0.47
30,001 to 40,000 shares	0	0
40,001 to 50,000 shares	0	0
50,001 to 100,000 shares	2	1.49
100,001 to 1,000,000 shares	1	1.73
Over 1,000,000 shares	1	89.59
	651	100.00*

\* Rounded to 2 decimal place

**(c) Share register, registered and principal administrative office and company secretary**

Paradise Beverages (Fiji) Limited  
122 - 164 Foster Road  
Walu Bay  
Suva  
Fiji  
Phone : (679) 3315811  
Fax : (679) 3300408

The company is incorporated in Fiji with limited liability and is listed on the South Pacific Stock Exchange. The company secretary is Mr Vinish Singh, Chief Financial Officer, Paradise Beverages (Fiji) Limited.

**(d) Subsidiary's performance Section 6.3.1 (viii)**

	2017
	F\$
<b>Samoa Breweries Limited</b>	
Turnover	25,659,088
Other income	62,043
	25,721,131
Depreciation	(3,997,079)
Other expenses	(20,681,093)
Interest	(145,062)
Income tax expense	(241,965)
	(25,065,199)
Net profit after tax	655,932
Assets	45,622,317
Liabilities	(15,718,301)
Shareholders' Funds	29,904,016

# SOUTH PACIFIC STOCK EXCHANGE DISCLOSURE REQUIREMENTS

## (e) Top 20 Shareholders Report

Share Class: Ordinary Shares

Shareholder Name	No. of Shares	Total % Holding
Coca-Cola Amatil (Fiji) Limited	9,325,000	89.59
Fiji National Provident Fund	179,615	1.73
Unit Trust of Fiji (Trustee) Co Ltd	99,901	0.96
Praful Patel Investments Pty Ltd < P & A Patel Superfund A/C >	55,042	0.53
Graham R Eden	24,740	0.24
Colonial Fiji Life Limited	23,750	0.23
Rodney C Wardrop	15,625	0.15
Chhabildas Jamnadas	12,500	0.12
Pacific Transport Limited	12,500	0.12
Alison A Cupit	11,875	0.11
Pravin Patel	11,485	0.11
Patelkhatri Investments (Fiji) Ltd	11,472	0.11
Harifam Limited	10,000	0.10
Johnson L Joe	9,375	0.09
Fiji Care Insurance Limited	8,798	0.08
George Tavanavanua	7,150	0.07
Beverley Ann Muir	6,875	0.07
Carolyn Frances Thompson-Edwards	6,875	0.07
J Santa Ram Stores Limited	6,500	0.06
Radike & Eta Qereqeretabua	6,400	0.06
	9,845,478	94.59*

\* Rounded to 2 decimal place

## (f) Five year financial history

	2017	2016	2015	2014	2013*
	\$000	\$000	\$000	\$000	\$000
Net profit	14,738	13,492	12,361	9,853	10,663
Assets	158,411	144,660	130,792	123,007	109,468
Liabilities	28,471	26,192	22,457	26,552	23,625
Equity	129,940	118,468	108,335	96,455	85,843

Dividend per share	\$0.30
Earnings per share	\$1.42
Net tangible assets per share	\$11.60
Highest market price per share	\$12.60
Lowest market price per share	\$12.10
Market price per share at end of financial year	\$12.60

\*-2013 financial period presents information for 18 months.

## (g) Board meeting attendance – section 6.31 (vi)

Directors	28 <sup>h</sup> March 2017	31 <sup>st</sup> May 2017	29 <sup>th</sup> August 2017	23 <sup>rd</sup> November 2017
George Forster	✓	✓	✓	✓
Cecil Browne	✓	✓	✓	✓
Gardiner Whiteside	✓	✓	✓	✓
Shane Richardson	✓	✓	✓	✓
Alex Nario	✓	✓	✓	✓
Andrew Wearne (resigned 16 March 2018)	n/a	n/a	n/a	n/a

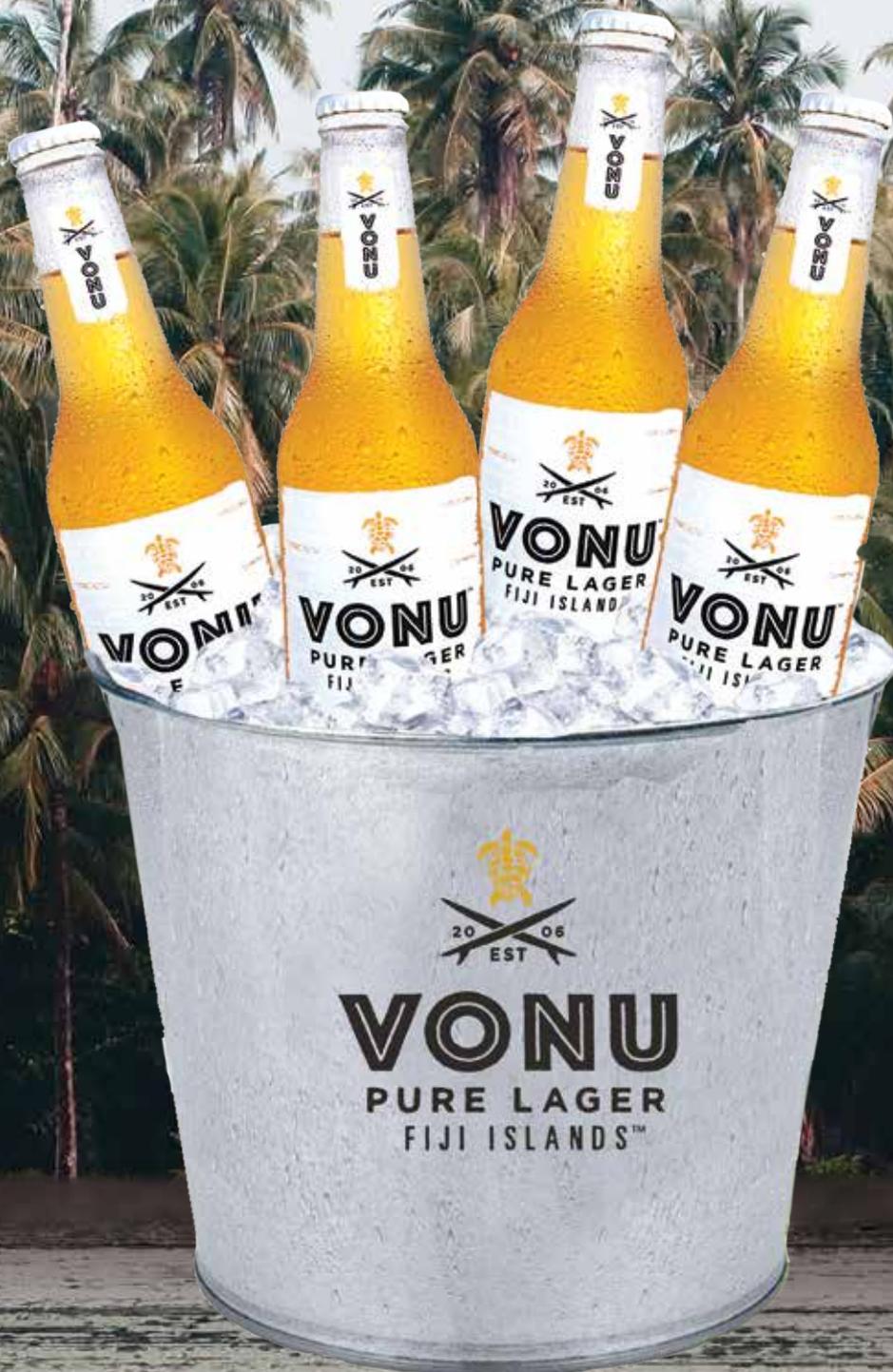


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Don't drink and drive.  
It's safest not to drink while pregnant.